ANNUAL INTEGRATED REPORT 2016

OWNER-MANAGER CULTURE

INNOVATION

ENTREPRENEURSHIP

FRANCHISE VALUE

FIRSTRAND

ABOUT THIS REPORT

This year the group has introduced new formats and additional content in an attempt to provide more insight for stakeholders and are presented in an accessible and diagrammatical style.

Of particular note:

- there is additional commentary from the chairman on the principles that underpin the group's approach to remuneration on pages 12 and 13;
- new graphical representations of the group's strategy and business model on pages 17 and 18; and
- new infographics accompany each franchise operating review in order to present relevant data in support of the financial performance.

The group believes these new elements will provide stakeholders with sufficient insight to fully appreciate the exceptional level of quality and sustainability of the FirstRand investment story.

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

STATEMENT OF INTENT

FirstRand's portfolio of leading financial services franchises provides a universal set of transactional, lending, investment and insurance products and services. The franchises operate in markets and segments where they can deliver competitive and differentiated client-centric value propositions, leveraging the relevant distribution channels, product skills, licences and operating platforms of the wider group.

Strategy is executed on the back of **disruptive and innovative thinking,** underpinned by an owner-manager culture combined with the disciplined allocation of financial resources.

FirstRand's **objective** is to build long-term franchise value and the diversified portfolio of the group has delivered strong growth in earnings, assets and dividends.

This track record has been achieved through a combination of organic growth, acquisitions, and creating extra sources of revenue through the start up and development of completely new businesses.

The group has a portfolio branding strategy and there are a number of leading brands within the group.

FNB First National Bank RMB WesBank ASHBURTON INVESTMENTS

INTEGRATED HIGHLIGHTS

FIRSTRAND

financial

Ordinary dividend per share
– UP –
8%
2016 : 226.0
2015 : 210.0

Normalised return on equity *(%)*
2016
24%
2015 : 24.7

Diluted normalised earnings per share *(cents)*
– UP –
8%
2016 : 407.4
2015 : 378.5

Normalised earnings *(R million)*
– UP –
7%
2016 : 22 855
2015 : 21 286

social

Economic value added to society (R million)
– UP –
11%
2016 : 99 969
2015 : 90 131

Total workforce (number)
– UP –
7%
2016 : 45 100
2015 : 42 263

South African workforce (number)
– UP –
4%
2016 : 38 216
2015 : 36 598

% ACI employees (SA operations)
2016
75%
2015 : 74%

operations

FNB customer numbers
– UP –
6%
2016 : 7.483 mil
2015 : 7.064 mil

Digital transaction
88%
of total FNB value

FNB sold
0.5 million
policies on new group life licence

Normalised net asset value per share *(cents)*

– UP –

10%

2016 : 1 779.0

2015 : 1 618.3

FNB

Normalised earnings

+8%

RMB

Normalised earnings

+9%

WesBank

Normalised earnings

+22%

Grants to education

R210mil

Carbon emissions (SA operations) (tonnes)

– DOWN –

11%

2016 : 280 998

2015 : 301 980

BEE procurement spend (%)

54%

2015 : 39%

BBBEE

Maintained level

2

status

RMB M&A advisory on

R60bn

of deals

RMB Morgan Stanley

#1

JSE trading volumes

WesBank finances

3 out of 5

vehicles

WesBank's MotoNovo

no 2

in UK independent dealer market

FIRSTRAND'S SUSTAINABILITY FRAMEWORK

FirstRand has carefully considered the principles and objectives of integrated reporting. The group's objective is to apply best practice, in so far that it supports the group's interpretation of the sustainability of its strategy and operations. It does not seek to tick all the boxes but rather provide stakeholders with enough relevant information to take an informed view on the quality of leadership's strategic thinking, execution of strategy and utilisation of operating platforms, financial resources and risk capacity. The approach is fundamentally designed to present substance over form.

Depicted here is FirstRand's sustainability framework which represents the five key pillars of the group's approach to delivering superior and sustainable returns to its stakeholders. It indicates some key sections or pages in this report where the reader can find narrative and data that substantiates the statement of intent.

STRATEGIC FRAMEWORK

CORE PURPOSE

To be the African financial services group of choice through the creation of long-term franchise value.

06 Chairman's report / **14** CEO's report
22 FNB, RMB and WesBank operational reviews

PORTFOLIO MANAGEMENT

Build and actively manage a portfolio of businesses to deliver on this strategic focus; a dynamic process that is constantly measured with appropriate frameworks that balance risk, growth and returns.

06 Chairman's report / **14** CEO's report

SUSTAINABILITY

Deliver sustainable returns with acceptable levels of earnings volatility; managing the business on a through the cycle basis and utilising strategic and operational levers – capital, balance sheet and operating platforms.

02 Integrated highlights / **14** CEO's report /
36 CFO's report

VALUES AND CULTURE

Build on the track record of generating organic growth, driven by entrepreneurial culture and dedication to innovation. This has created significant franchise value and is an underpin to sustainable growth going forward.

06 Chairman's report / **14** CEO's report
22 FNB, RMB and WesBank operational reviews

STAKEHOLDERS

Create value for the providers of capital and for the benefit of all stakeholders – customers, regulators, staff and the communities the group serves.

06 Chairman's report / **14** CEO's report
22 FNB, RMB and WesBank operational reviews

GOVERNANCE

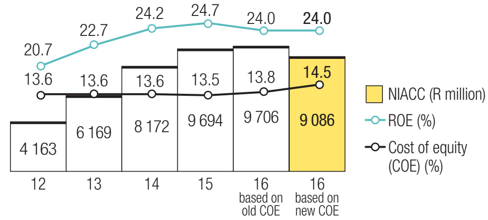
Implement the highest standards of corporate governance and ethics oversight at all operations and review governance processes to ensure ongoing efficiency improvements.

06 Chairman's report / **14** CEO's report
22 FNB, RMB and WesBank operational reviews

MEASURING PERFORMANCE	*KPIs*

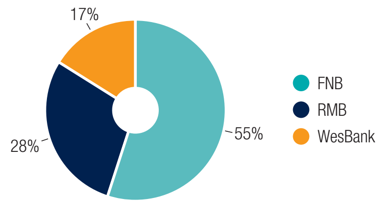
The group believes that the true measures of value creation are return on equity (ROE) and net income after capital charge (NIACC). The group's ROE target range for normal economic cycles is 18% to 22% and it believes that this range is sustainable going forward.

NIACC and ROE



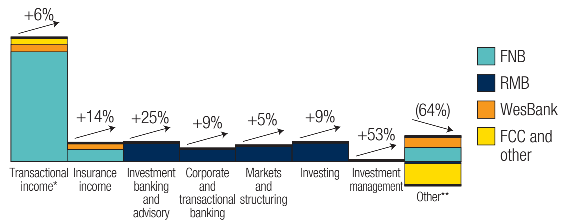
The group seeks optimal diversification from its portfolio, from a franchise, segment, geographical and product perspective. This chart demonstrates the current franchise diversification which the group believes represents an appropriate mix of activities.

Franchise diversification *(normalised earnings)*



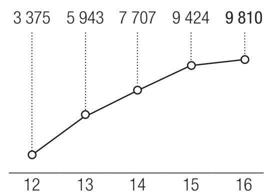
The group believes its client franchise is key to sustainability and therefore analyses the proportion of revenues generated from client activities as this represents the highest quality of earnings. This chart shows that 87% of NIR emanates from client activities. If NII is included, 94% of gross revenue is generated from client activities.

NIR breakdown *(%)*



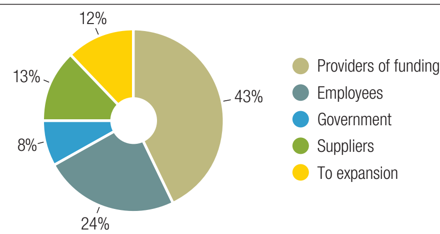
Innovations programmes have been refocused resulting in fewer, more impactful innovations. This chart indicates the growth in number of innovations implemented since 2011.

Cumulative innovations implemented
CGAR 31%



The group manages its business for a broad range of stakeholders, this chart indicates the economic value distribution to the different stakeholders of the group.

Economic impact *(%)*
R99.9 million



The group believes that good governance and ethics is the foundation of good business and has implemented the highest standards of corporate governance and ethics oversight across all of its operations.

As I think about the future, I too try and see the black swans that could influence our world, our society and this company. It is an extremely difficult exercise.

Laurie Dippenaar

chairman's report

YOU CAN TRUST A CRYSTAL BALL ABOUT AS FAR AS YOU CAN THROW IT

In his book "The Black Swan: The Impact of the Highly Improbable," finance professor and former Wall Street trader Nassim Nicholas Taleb, describes an event or occurrence that deviates beyond what is normally expected of a situation and that would be extremely difficult to predict.

Taleb took the basis of his book and the idea of a 'black swan event' from the shock that Europeans experienced when they discovered black swans in Australia. Until then, their data told them that all swans were white, so the discovery was unexpected.

Mr Taleb suggests that black swan events can have truly catastrophic and unpredictable effects and yet, as he laments, "in spite of the empirical record we continue to project into the future as if we were good at it" and we continue to expect all swans to be white and are shocked when a black swan swims by.

Also, according to Taleb, history actually proceeds by "jumps," triggered by "the singular, the accidental, the unseen and the unpredicted" and, whilst gradual change remains our normality, in fact, actual change is almost always outlandish. Take for instance 9/11 or the rise of Google, these are very different types of black swan events that have had wide-ranging, society-changing effects that will extend far beyond their initial apparent import.

As I think about the future, I too try and see the black swans that could influence our world, our society and this company. It is an extremely difficult exercise.

A black swan event in markets is one that has not occurred in the past, thus rendering risk management models, based on historic data, utterly useless as such a risk model would assume that all swans were white. We actually experienced one in December 2015 when President Zuma fired Minister Nene, absolutely no one saw that coming and the markets reacted accordingly – characterised by panic, volatility and massive risk aversion. This was closely followed by threats of a sovereign downgrade (something that as I write this statement today is still a strong possibility) and a fundamental downward shift in international investor confidence.

"In spite of the empirical record we continue to project into the future as if we were good at it" and we continue to expect all swans to be white and are shocked when a black swan swims by.

South Africa continues to live with the legacy of the President's actions, and it is clear that the market is relying heavily on Finance Minister Gordhan to navigate the country out of its current precarious position, and yet certain factions continue to mess with this very fragile situation. Our currency reflects that fragility.

FirstRand as a large economic player also continues to navigate its way through this difficult scenario. "Nenegate" was a body blow to the banking sector which saw billions wiped off valuations. The cost of capital has structurally moved higher, which makes it even harder to deliver economic value to our shareholders. A downgrade will definitely impede our ability to raise hard currency funding, which in turn will constrain our ability to grow in the rest of Africa region.

A BANK'S REPUTATION IS EVERYTHING

The turmoil of Nenegate was quickly followed by massive press scrutiny on the government's reaction to the termination of certain bank accounts. There was an unbelievable amount of misinformation swirling around at the time so I thought it would be helpful to explain to our stakeholders under what circumstances banks consider parting company with a customer. Given strict client confidentiality requirements, which for banks are set down in law, I am only commenting on generic frameworks and principles.

To provide some kind of context to the potential risks banks run if they fail to "do the right thing", $290 billion represents the approximate value of fines paid over the past few years by global banks that have contravened regulations, including those that relate to responsible customer conduct. This is an almost incomprehensible number, but as a reference, it represents the total GDP of Angola, Morocco and Kenya combined.

These fines decimated banks' profits, deeply eroded their capital bases, permanently destroyed massive amounts of shareholder value and dramatically affected their reputations. One further downstream impact included the loss of thousands of banking jobs.

This level of punishment should not really surprise anyone. Banks function on the back of customer trust and confidence, which comes with the role they play in the economy of taking deposits and transferring funds. Billions of people place their precious salaries and savings with banks, in return banks provide customers with safe and effective mechanisms to access or move these funds around or assist customers to leverage them through credit. Given this background, banks have developed massive risk mitigation departments and processes and absolutely everything gets tested rigorously and this would include any decision relating to taking on or parting with a customer.

Everyone knows why customers choose to leave banks: poor service, unwillingness to grant credit or a better offering from a competitor. What seems to be less well known is why a bank would even consider parting with a customer. It seems very counter-intuitive for a client-centric business to take such action.

In reality, there are many, many reasons, some seemingly mundane, such as accounts that show long periods of dormancy. There are, however, also instances where customer behaviour requires action or

Whilst total cost growth continues to trend above inflation it's important to differentiate between the cost of running the business and the cost of growing the business.

The overall credit picture continues to remain in line with our expectations and reflects origination actions taken in the different segments of the group's customer base throughout the current credit cycle.

Our ability to allocate capital to maximise shareholder returns, is demonstrated through our superior ROE of 24% and the 10% growth achieved in net asset value per share.

there is potential reputational risk for the bank. This is because South African banks operate in a globally integrated system. The South African Reserve Bank is a signatory to many international standard setting bodies such as the G20, the Financial Stability Board, the International Monetary Fund, the Bank for International Settlements and the Basel Committee. In addition, South Africa is a member of the Financial Action Task Force, a global body which develops international customer acceptance standards for regulators.

If the South African banks do not comply with local and global regulations and do not take principles regarding reputational risk management seriously, foreign investment flows to the country will be significantly reduced. This will be disastrous for the country's fiscal health which remains extremely reliant on these flows. International investors run their own risk dashboards for South Africa and responsible banking conduct is a key input. The South African banking sector scores very highly on every international governance index and should never ever compromise on this.

FIRSTRAND'S PERFORMANCE REFLECTS OUR RESILIENCE IN THE FACE OF THESE EXTERNAL SHOCKS

Below is a high-level overview of how the group performed in the year under review. In the *CFO's report* on page 38 there is significant detail on the key financial metrics, including how we have allocated our financial resources, which is a key component to our outperformance in terms of return on equity.

FirstRand's portfolio produced a very resilient performance, growing normalised earnings 7% and producing an ROE of 24.0%. Our net interest income increased 13% driven by good growth in advances and deposits, and earnings benefited R1.1 billion due to the positive endowment effect of an average 68 bps increase in the repo rate for the year and higher capital levels.

Non-interest revenue growth of 7% was very robust, and particularly impressive at FNB (+8%) given the regulatory impact of reduced interchange fees, and was achieved on the back of good growth in volumes (particularly in electronic channels) and increased product cross-sell and up-sell. Non-interest revenue also benefited from RMB's private equity and investment banking businesses, both of which grew off high bases, and WesBank's insurance businesses.

Whilst total cost growth continues to trend above inflation it's important to differentiate between the cost of running the business and the cost of growing the business. We remain committed to investing in our future growth strategies which are outlined in more detail in the *CEO's report* on page 14.

The overall credit picture continues to remain in line with our expectations and reflects origination actions taken in the different segments of the group's customer base throughout the current credit cycle. Whilst we have consistently adjusted credit appetite in the high risk segments of the retail market, we have experienced robust growth in lending on the back of FNB's strategy to focus on selling more products into its core transactional customer base.

It is worth mentioning that for the first time since the previous credit cycle of 2009 and 2010, the group's earnings growth has not significantly outperformed that of the peers, however, we did tell our shareholders to expect this. Following at least five years of outperformance, the group is still showing good growth in earnings off a very high base, so given all the economic and regulatory headwinds we face, 8% growth in diluted normalised earnings per share is a very good outcome. This performance was also achieved whilst the group is investing heavily in future growth strategies that we believe will ensure outperformance over the longer term.

All of this demonstrates the quality of the group's portfolio of businesses, which, when combined with our ability to allocate capital to maximise shareholder returns, is demonstrated through our superior ROE of 24% and the 10% growth in normalised net asset value per share.

It's also worth remembering that management's key performance measure is to beat cost of capital, which has resulted in a remuneration strategy closely aligned to the requirements of our shareholders. On page 12 there is more detail on our philosophy on remuneration and how it drives performance.

LOOKING FORWARD, OUR BUSINESS IS AS WELL POSITIONED AND WELL PREPARED AS IT CAN BE

In his *CEO's report* this year, Johan Burger unpacks in some detail the revised model and framework the group has adopted in order to deliver growth and returns going forward. The past decade has been an excellent period of performance for the group and its shareholders, particularly as our banking franchises have optimised their market leadership positions to participate in many of the growth opportunities that have presented themselves in South Africa and those countries in the rest of Africa where we operate. However, the absolute size of these franchises combined with the regulatory costs they need to absorb, means that we have to look at more cost-effective platforms to serve our customers, particularly as we plan our attack on the broader financial services profit pools.

Since inception, the group has always sought to optimise the many building blocks its portfolio provides, whether these are customer bases, technology platforms, distribution networks, skills or licenses. We have been quite effective at using these platforms in innovative and efficient ways in the past, either to build completely new businesses like OUTsurance and Discovery or strengthen existing businesses. For example I think it is a little known fact that the group employs more actuaries in the bank than any insurance company in South Africa. These skills have been well deployed into our credit risk functions, which I believe has helped the group to position its balance sheet better than its peers in this current credit cycle.

The group's new model and strategy takes this idea of building blocks to another level and will be key to our ability to grow in our domestic market.

The rest of Africa continues to represent a challenge for us. Three years ago, when Africa was the "next big thing" the group was often described as a "laggard" in the region, or we were criticised for our "failure" to acquire something in Nigeria. How things can change and change quickly! Falling commodity prices resulted in extreme economic pain for many of the economies we were looking to expand into. As China's appetite for commodities reduced, so has investors' love affair with rest of Africa, and certainly risks have elevated and growth projections have dropped sharply.

However, despite this current scenario, FirstRand remains committed to growing outside of South Africa, on the back of a strategy that is both organic and acquisitive. Whilst we will remain disciplined and definitely not squander shareholders' capital on seemingly cheap earnings, we do see the region as a long-term growth opportunity, and are very focused on creating more of a "portfolio" effect to reduce concentrations and diversify risk. We believe that asset prices in jurisdictions, such as Nigeria, have recently become much more realistic and we feel more comfortable to look for opportunities to deploy shareholder capital for acquisitions to assist us in scaling up our operations.

SOUTH AFRICA IS A RESILIENT COUNTRY, BUT THE RISKS CONTINUE TO RISE

When we engage with international investors they often comment that one of the reasons South Africa remains such an attractive investment proposition is the quality of its corporations and their management teams. Despite our incredibly volatile currency, which can decimate dollar returns overnight, our companies enjoy significant support, particularly when emerging markets get shocked, as investors take flight to quality.

That's why it's so important that the government sends the correct signals to the world's capital markets. These signals must be actions, not words, and they are critical to the country's credibility. I would like to quote from a man I admire very much, Adi Enthoven, the chairman of Hollard who gave the van Zyl Slabbert memorial lecture at Stellenbosch University recently. He said many wise things in his speech, but I wanted to draw attention to something he said that particularly resonated with me.

"There can be little doubt that, as in many of the State Owned Enterprises, there are some of our institutions that have been undermined and captured, and there are some that are under extreme duress. It is no coincidence that the targeted institutions are those that present either the greatest opportunity to wield patronage power and/or the greatest threat to patronage.

The principle tactics have included bullying, intimidation and manufacturing allegations of misconduct in order to either gain acquiescence or failing that the appointment of compliant individuals. This is not an outright attack on the institutions and the Constitution, but has the same effect.

We cannot stand by and allow this systematic raid on our institutions to succeed. The South African democratic project is not a project of a political party, or government or parliament.

It is our project. As citizens, we collectively own and are the ultimate custodians and guardians of our democracy. They must not be subverted on our watch. There needs to be a clear metaphorical "line in the sand" that cannot be crossed."

Sometimes when I read the newspapers, I find myself fearful that the "line in the sand" has already been crossed. Indeed as I write this statement, the Minister of Finance is under attack again from forces that seek to remove him from his position and replace him with a potentially more pliable individual. Our National Treasury is the richest prize yet for those who seek full state capture, and is also the key to unlocking the massive value sitting in our state-owned enterprises.

So it really is up to the citizens of this country to stand firm. We owe it to the generations that will come after us. And there is some light at the end of the tunnel. August's municipal elections were a strong message that the general population is tired of the plunder, the non-delivery and the self-interest. This wasn't a message based on race, income groups or political factions – it was a message from the collective, whose patience is running out.

IN CONCLUSION

During the year, Leon Crouse and Kgotso Schoeman retired from the FirstRand board after serving since 2008. Leon has provided valuable technical insights and a truly balanced perspective in board deliberations. Kgotso has deepened the group's understanding of socioeconomic development issues and opportunities both in South Africa and other emerging markets. We are extremely grateful to Leon and Kgotso for sharing their wisdom with us so generously, and to their families for the time that they have dedicated to FirstRand and its stakeholders. I wish you long, happy and productive retirements.

Finally, I would also like to extend my thanks to each and every employee of FirstRand. It is your hard work and total commitment that allows me to present such a resilient set of results to our shareholders.

LAURIE DIPPENAAR
Chairman

ADDITIONAL COMMENTARY BY THE CHAIRMAN ON FIRSTRAND'S REMUNERATION

"I have on many occasions in my statement attempted to explain in simple terms why I am comfortable with our remuneration philosophy. The rigorous health checks we apply are demonstrated below and, in my view, have been consistently applied through the years and have directly driven the outperformance our shareholders have enjoyed. The board is extremely cognisant of the levels of scrutiny required on compensation and we believe our frameworks stand up to scrutiny."

– Laurie Dippenaar

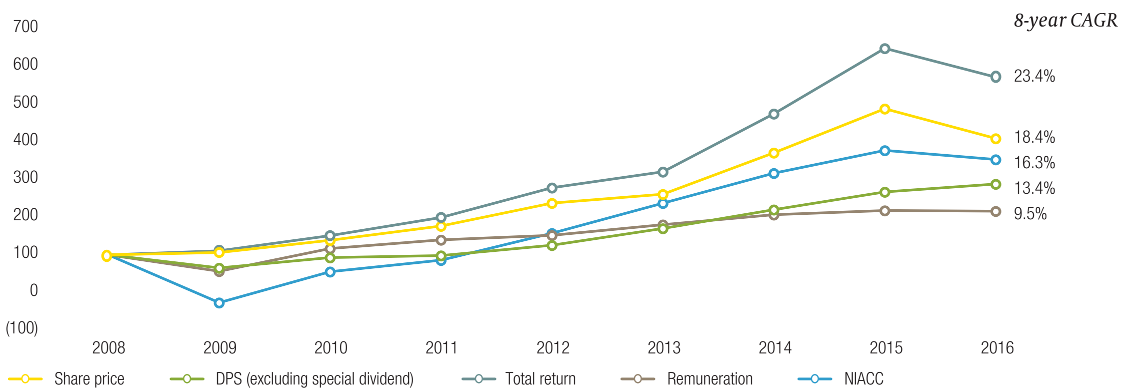
HEALTHCHECK 1

FirstRand fundamentally believes that executive remuneration must align with shareholder value creation and the group's key performance measure, net income after cost of capital (NIACC), ensures that the link between pay and performance is direct.

If there is one cornerstone to FirstRand's approach to employee remuneration it is that management must never do better than shareholders.

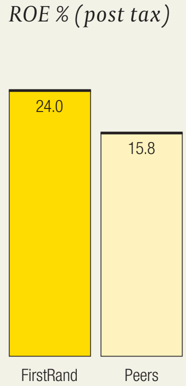
The growth in total return to shareholders as well as the growth in NIACC has significantly exceeded management remuneration.

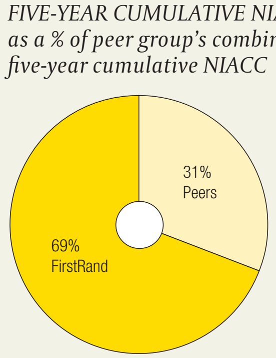
EXECUTIVE REMUNERATION AND SHAREHOLDER RETURN

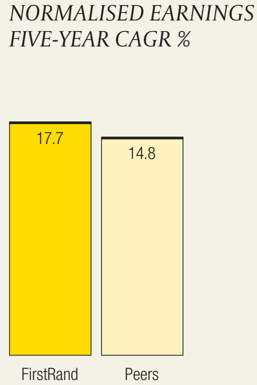


HEALTHCHECK 2

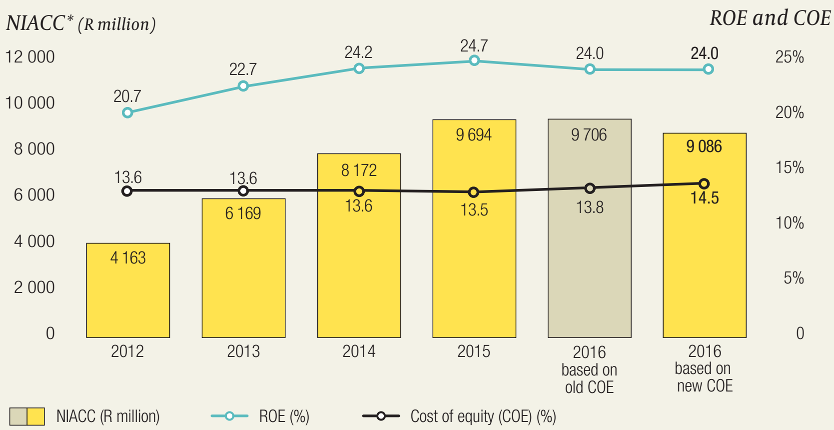
FirstRand's remuneration on a "relative" basis to peers is not out of line, particularly given the level of outperformance the group has delivered over the past five years.







Refer to page 99 for definitions of peer group disclosures.



Culture has played a key part in the group's ability to generate superior returns. Management are treated like owners, act like owners and think like shareholders.

HEALTHCHECK 3

Targets set for management are always "stretch" but achievable and long-term performance alignment is guaranteed through a large "deferred" component of management remuneration, directly linked to performance. Share options do not vest if performance criteria are not met. The 2008 options did not vest in 2011.

Issue	Normalised EPS in year of issue	Vesting criteria	NIACC over the period
2012 CIP 3 year	225.8 cents	Nominal GDP + 3%	Positive (vested)
2013 CIP 3 year	273.5 cents	Nominal GDP +1.5%	Positive
2014 CIP 3 year	331.0 cents	Nominal GDP + 2%	Positive
2015 CIP 3 year	378.5 cents	Nominal GDP +1.0% COE + 5%	Positive

EXECUTIVE PAY AND SHARES VESTED

R thousands	Cash package	Cash bonus	Deferred bonus	Shares vested*	Total
Johan Burger (CEO)	9 617	13 165	11 165	28 504	62 451
Alan Pullinger (deputy CEO)	6 661	11 000	9 000	27 988	54 649
Harry Kellan (financial director)	5 461	4 937	2 938	12 600	25 936
Jacques Celliers (FNB CEO)	6 567	6 625	4 625	15 623	33 440
James Formby (RMB CEO)	3 044	10 625	8 625	15 922	38 216
Chris de Kock (WesBank CEO)	4 417	5 000	3 000	9 119	21 536

* *Reflects three years of value accretion.*

The group has consistently stated that it will not chase earnings growth at the expense of our targeted ROE range and I believe these results strike an appropriate balance between growth, prudent risk management and investment for the future, whilst ensuring sustainable, premium returns.

Johan Burger

ceo's report

Normalised ROE

24%

Normalised NAV

– UP –

10%

RAPIDLY CHANGING OPERATING ENVIRONMENT PROMPTED A REVIEW

Early in the year under review, the group's strategic executive committee (Stratco) embarked on a strategic review process. The first objective of this process was to properly interrogate whether the prevailing strategy of the group was likely to deliver future outperformance, in terms of growth in earnings and return on equity, on a long-term, sustainable basis. The second part of the process was to identify what changes would be required to both strategy and operating platforms to introduce new growth opportunities.

It proved to be a very rigorous, but ultimately fruitful, journey for leadership, which started with an independently-facilitated two-day working session in October 2015, followed by a two-day "deep-dive" with the top 125 leaders in the organisation. There was a detailed presentation on the outcomes from this process at the November 2015 board meeting and the new strategic framework was approved. Since then, the focus has been on execution.

The decision to review the current strategy was prompted by a number of factors. At the beginning of the 2016 financial year, the leadership team was new, the group had enjoyed a long period of outperformance and there were heightened levels of concern regarding challenges emerging in the wider operating environment, both domestically (where the group has a dominant position) and in the rest of Africa.

These challenges were material and can be broadly characterised as follows:

- significant downward pressure on revenues given low GDP growth in South Africa;
- higher probability of a sovereign ratings downgrade;
- increasing cost and scarcity of financial resources;
- ongoing introduction of new regulations and legislation (particularly in banking activities), which could impact profitability over the medium to long term;
- intensifying competition in banking profit pools from non-traditional disruptors (specifically those with low cost infrastructures) and insurance players; and
- rising regulatory and macro risks in the rest of Africa.

Most of these challenges were considered structural rather than cyclical in nature, and therefore required a fundamental and structural shift in the way the business needed to be positioned for the future, and a different set of strategic responses, particularly to continue to deliver on growth and return commitments to stakeholders.

Leadership considered these challenges and mapped them against any existing portfolio concentrations, in particular, products, segments and geographies. What became clear was that whilst some of these issues were being addressed through diversification strategies, more would be required. Stratco also assessed the group's business model and operating platforms and decided on certain adjustments that were required to ensure that the portfolio was optimally structured.

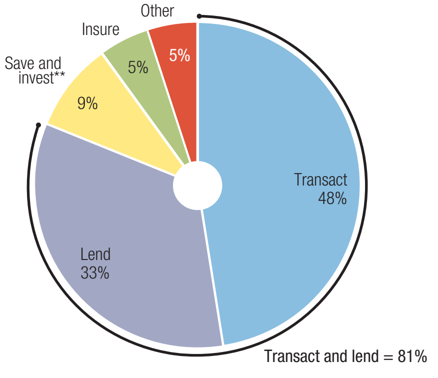
THE REQUIRED RESPONSES BECAME CLEAR

A number of key priorities were identified as building blocks to the group's new strategic framework. A brief overview of these is provided below.

Grow the domestic franchise by leveraging the group's platforms and customer bases to broaden its financial services product offering, whilst protecting and growing its banking franchises

Whilst the group's portfolio of businesses already represented a relatively diversified earnings stream, leadership recognised that these were mainly concentrated in traditional, domestic banking activities, namely retail and wholesale lending, and transactional and related endowment, as shown in the chart below.

*REVENUE SPLIT BY ACTIVITY**



* *Based on gross revenue, excluding consolidation adjustments.*
** *Includes private equity deposit taking and investment management.*

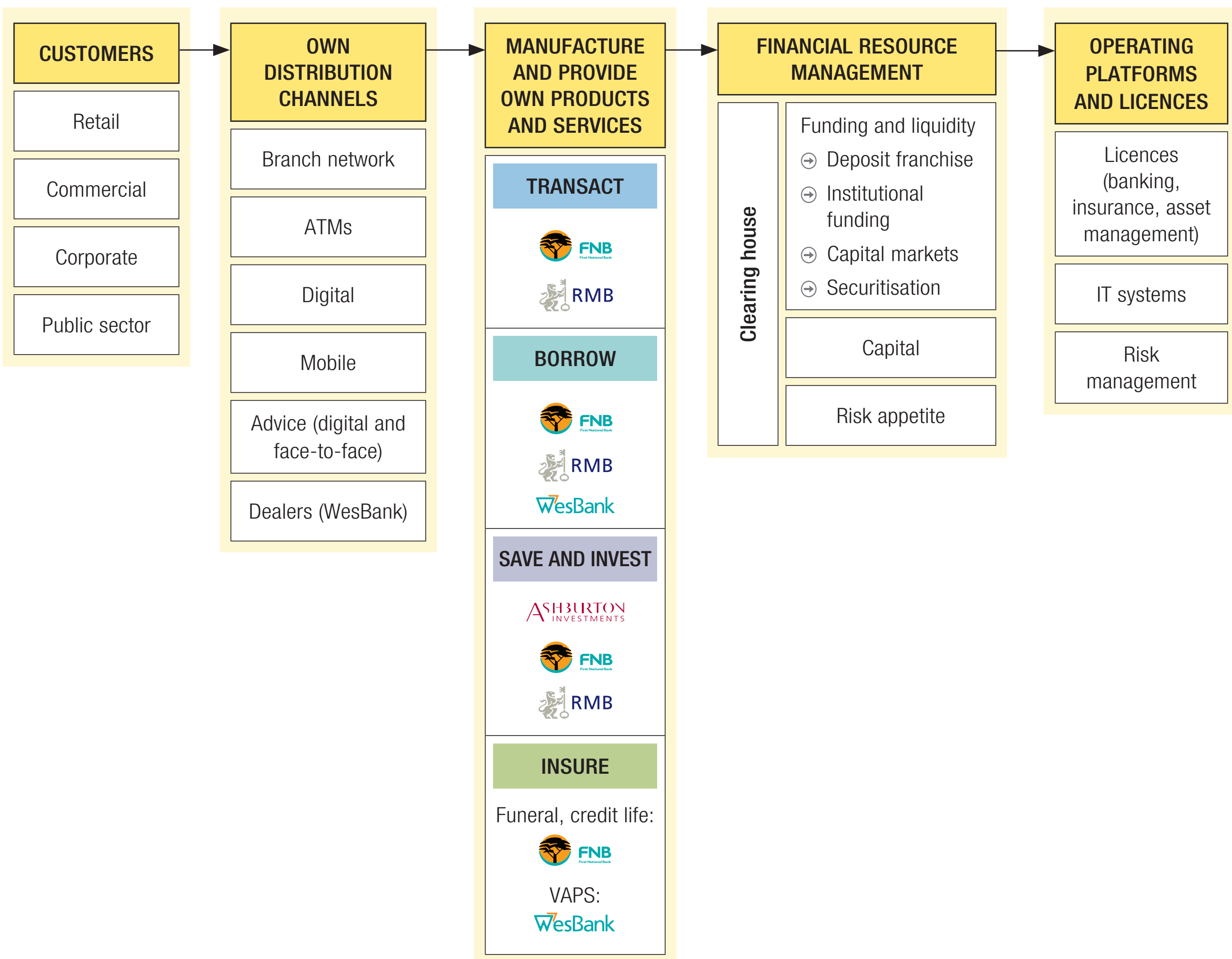
Whilst the high quality of these lending and transactional franchises were a direct result of a very deliberate group strategy embarked on in 2010, they faced significant challenges to grow and therefore the group would need to capture a larger share of profits from the broader financial services markets. FirstRand, however, recognises the imperative to continue to protect and grow these very valuable banking franchises whilst diversifying, particularly as their origination capabilities, customer bases and distribution networks are significant enablers to diversification.

The group believes it can capture a larger share of profits from the broader financial services markets, including savings, insurance and investment products, currently the domain of asset managers and insurance companies. These activities currently represent a relatively small proportion of gross revenue, and many of them have become more attractive following changes in regulations.

In pursuit of this strategy, the group intends to use its model to participate in the full value chain presented by the manufacture and sale of its own best-of-breed financial services products and services.

Through an integrated business model, which provides full ownership of the value chain, the group can build differentiated value propositions for customers, thus capturing a larger share of the profit pools available and, over time, generate new and potentially significant revenue streams for the group.

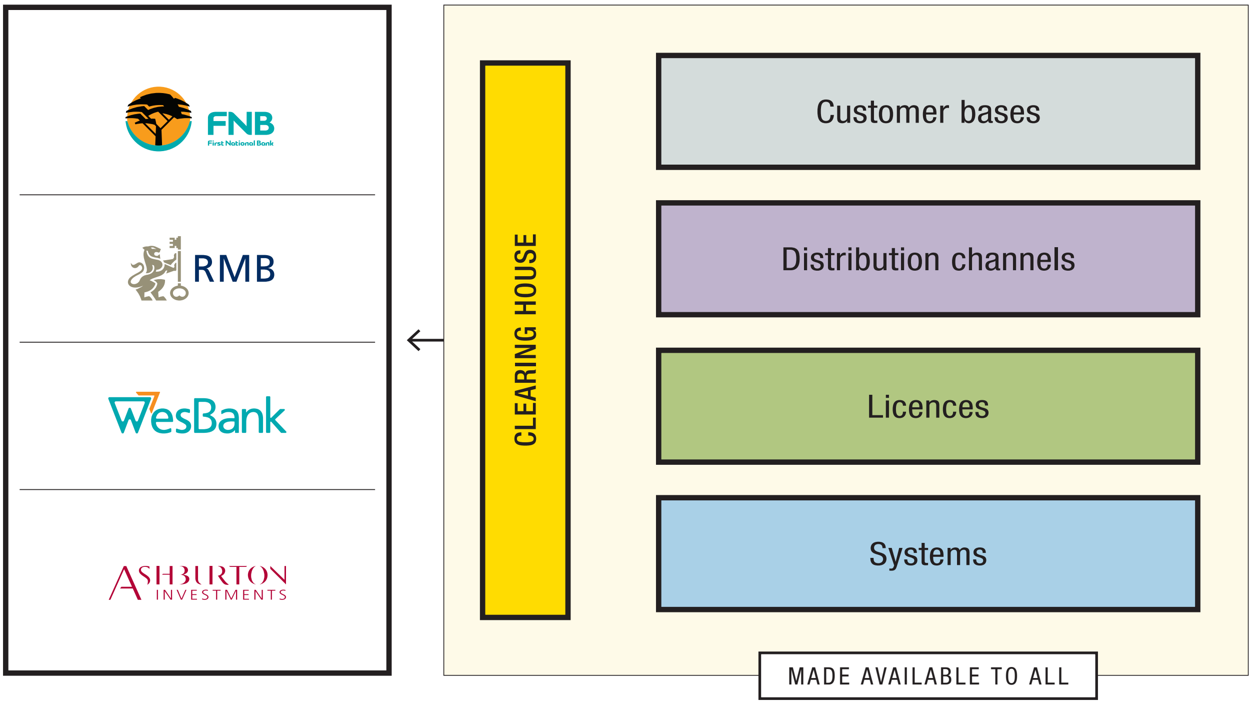
As can be seen from the graphic below, the group has made a great deal of progress executing on this model. Although the group has embarked on initiatives to grow in insurance and investment management, there remains significant opportunities to capture the full value chain in these business lines.



Create a platform- and franchise-neutral business model to enable origination businesses and grow liabilities

Because regulatory changes – both from a prudential and conduct perspective – have increased the cost of providing certain products to customers on banking platforms and in some product lines (e.g. lending), these costs could ultimately exceed the economic cost of granting credit, which would then result in other financial services providers, such as asset managers and insurance companies, becoming more competitive providers of credit. These players are already exhibiting increased appetite for credit assets to back certain of their liabilities, and, in some cases, are already building in-house credit origination skills. Therefore, in order to protect its very valuable origination franchises, FirstRand must create similar platforms.

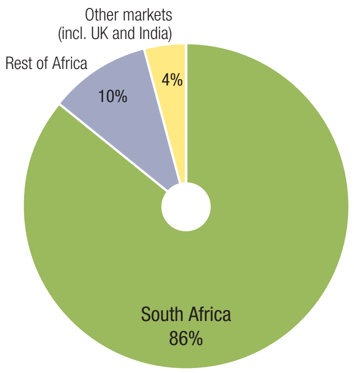
As shown below, the group's business model allows franchises access to all platforms and can facilitate cross-sell and up-sell for franchises.



Accelerate the group's rest of Africa expansion to support growth and diversification

The group's revenues and earnings remain highly concentrated geographically, with less than 15% of total pre-tax profits generated from outside of its domestic market. Whilst significant growth opportunities exist in a number of countries in the rest of Africa, the group's current strategy is proving slower than expected in delivering meaningful diversification.

*GEOGRAPHIC PBT MIX**



* *Based on PBT (inclu. GTSY), excluding FCC, FirstRand company, consolidation adjustments and NCNR preference dividend.*

The group believes that the countries it has chosen for expansion are the right countries and that it does not need to look further afield. Its approach is to build a diversified portfolio in the rest of Africa that recognises that risks are generally higher and that many of the countries on its target list, whilst attractive in the long run, are undiversified. In most cases, these countries rely on one or two commodities for growth and, as a result, are susceptible to macro shocks, often exacerbated by policy mistakes. The current macroeconomic backdrop is a harsh reminder that external factors can quickly affect the performance of both a country and its banks. Whilst the current macroeconomic backdrop in most target countries is uncertain, growth rates in these markets are still considerably higher than those expected in South Africa. The group is also cognisant of the potential opportunities that may arise from the prevailing conditions and is closely monitoring possible acquisition opportunities in these markets.

The strategy is expected to take time to deliver, but will be executed appropriately in order to build sustainable returns for shareholders over the longer term. The group will continue to follow a disciplined approach to the allocation of financial resources, such that portfolio returns and risks are optimised.

Expand the group's current developed market presence for protection, diversification and growth

FirstRand's operations remain heavily concentrated in South Africa and the rest of Africa and, within both of these regions, the growth and risk dimensions have deteriorated, whilst certain developed markets currently represent better risk/reward dynamics. The group already has a sizeable, successful business (MotoNovo) in the UK. For the year ended 30 June 2016, MotoNovo produced a PBT of R1 360 million (2015: R937 million). The group continues to evaluate opportunities for expanding this business.

In addition, with the increased prospect of a sovereign rating downgrade, the group needs to protect its counterparty status and access to hard currency funding. FirstRand is exploring certain options to ensure ongoing access to financial markets and hard-currency funding in the event of a downgrade. For example, the group has recently become a member of the interest rate derivatives clearing service, SwapClear, one of the clearing platforms provided by multi-national clearing house, LCH. A clearing house acts as a central counterparty between trades, and has an independent credit rating.

Ensure the group's platforms are optimally structured and appropriate to drive efficiencies and flex the cost base if required

Given the expected pressures on revenue growth, the group has to optimally manage its operational platforms to both structurally reduce costs and enable efficiencies. Whilst a great deal of work has already taken place in all of the franchises, there is a now a more urgent requirement for a top-down/cross-franchise assessment to understand if the existing business model, and a history of highly-empowered business units, has created value traps in the portfolio.

Further entrench the group's culture

The group needs to place even greater focus on driving a strategic human capital agenda, underpinned by a more formalised process to deeply embed the FirstRand philosophy and owner-manager culture. Transformation remains a key strategic issue for the group.

FINANCIAL RESOURCE MANAGEMENT

One of the critical pillars to the successful execution of this strategy is FirstRand's financial resource management (FRM) approach. Financial resources are defined as capital, funding and liquidity, and risk appetite, and one of the strengths of the group is its track record in allocating these resources to generate superior returns for shareholders.

Through the FRM process, the pricing and deployment of capital and funding is anchored to the generation of net income after capital charge (NIACC) and this has proved, over time, to be a significant differentiator for the group. It achieves three important objectives:

- through the process of assessing resource allocation with the objective of maximising shareholder returns, management has been able to pursue strategies and utilise platforms in the most efficient and value generating ways;
- actively management of the portfolio of businesses to achieve an appropriate balance of capital-light and capital-heavy businesses; and
- the application of discipline in allocation of risk appetite to manage volatility through the cycle.

STRIKING THE APPROPRIATE BALANCE BETWEEN RISK, RETURN AND GROWTH

To conclude, when assessing FirstRand's performance it is important to analyse multi-dimensionally. When considering the year to June 2016, despite five years of outperformance, the group continued to show real growth in earnings off a very high base and, given all the economic and regulatory headwinds, 8% growth in earnings per share and a 24% ROE was a very good outcome. This performance was also achieved whilst the group is investing heavily in future growth strategies that it believes will ensure outperformance over the longer term.

All of this demonstrates the quality of the group's portfolio of businesses, combined with its ability to allocate financial resources to maximise shareholder returns.

The group has consistently stated that it will not chase earnings growth at the expense of targeted ROE range and these results strike an appropriate balance between growth, prudent risk management and investment for the future, whilst ensuring sustainable, premium returns.

JOHAN BURGER
CEO: FirstRand

The group's operating franchises performed well, again demonstrating their leading market positions

review of operations

FNB

Jacques Celliers
CEO | FNB

FNB represents FirstRand's activities in the retail and commercial segments in South Africa and the broader African continent. It is growing its franchise strongly in both existing and new markets on the back of innovative products and delivery channels, particularly focusing on electronic and digital platforms.

PERFORMANCE IN 2016

Normalised earnings (%)
– **UP** –
8

Return on equity (%)
38.6

Core advances (%)
– **UP** –
10

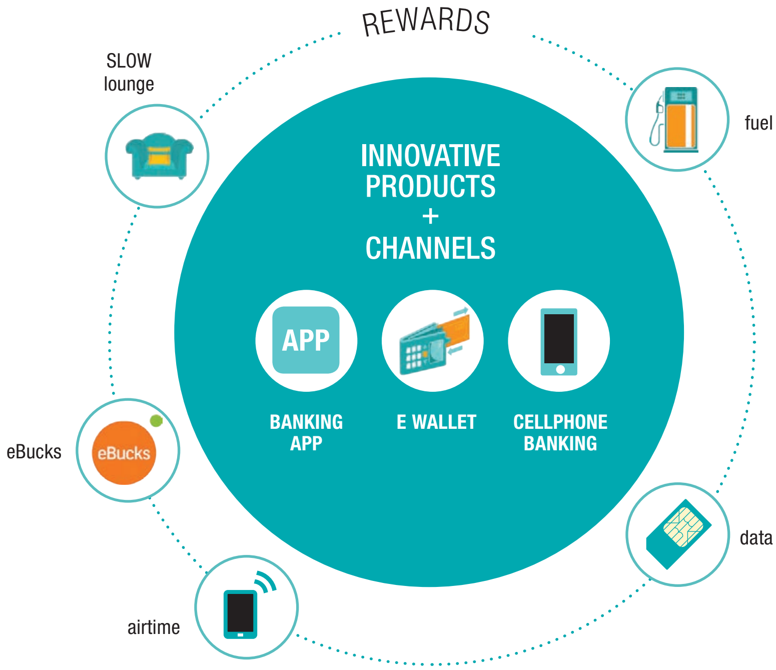
CREATING VALUE THROUGH STRATEGIC OBJECTIVES

growth and retention in core transactional accounts → **A COMPELLING VALUE PROPOSITION FOR CUSTOMERS**

increase average product sold per customer → **STRONG FOCUS ON CROSS SELLING**

contribute to earnings through **innovation** → **ENSURING SIX STRATEGIC DRIVERS ARE MET**

OUTCOMES



14% increase in client rewards

10% growth in accounts

12% increase in deposits

Increase in deposits and transactional volumes

96% of personal loans to existing clients

76% of credit card holders primary customers

Volumes on digital channels

500m transactions

over **300** implemented innovations in **2016** resulted in:

Active sims **350k**

26% **reduction** in customer teller volumes

Card swipes **up** **12%**

Lower credit card fraud write-offs

ADT cash deposits **up** **24%**

App usage **up** **76%**

EXECUTION ON STRATEGY

FNB's performance in the year under review can be attributed to its primary strategy to grow and retain core transactional accounts through offering a compelling value proposition to the customer; innovative products and channels at an acceptable cost, supported by rewards programmes, such as eBucks, SLOW lounges and fuel, data and airtime rewards. The banking app, cellphone banking and eWallet innovations continue to attract and retain customers.

Following several years of strong customer growth, FNB continues to focus on cross-selling to this expanded customer base, with the objective of increasing the average products per customer. This is delivering good growth in deposits and transactional volumes, particularly on the back of the deliberate strategy to drive customers onto electronic platforms.

Innovation remains central to the FNB growth strategy as it enables FNB to deliver on its brand promise of "How can we help you?" in a continuously changing operating environment. The key objective is to focus on innovation that creates meaningful value for the business and its customers.

The programme focuses on six key strategic themes:

- Operational analytics.
- Collaboration.
- The customer ecosystem.
- Digital and Fintech solutions.
- Differentiation.
- Operational excellence.

The most notable recent innovations include:

- The launch of the FNB Connect MVNO.
- The use of advanced data analytics to enhance digital security and customer experience.
- Free value-added services to businesses to assist with payroll, cashflow, company registration and BEE certification.

FINANCIAL PERFORMANCE OVERVIEW

R million	2016	2015	% change
Normalised earnings	**12 282**	11 385	8
Normalised profit before tax	**17 864**	16 536	8
Total assets	**382 732**	350 028	9
Total liabilities	**366 272**	334 956	9
NPLs (%)	**3.03**	2.63	
Credit loss ratio (%)	**1.08**	0.79	
ROE (%)	**38.6**	39.7	
ROA (%)	**3.36**	3.43	
Cost-to-income ratio (%)	**54.0**	54.5	
Advances margin (%)	**3.73**	3.69	

SEGMENT RESULTS

R million	2016	2015	% change
Normalised PBT			
Retail	**10 519**	9 755	8
FNB Africa	**1 297**	1 621	(20)
Commercial	**6 048**	5 160	17
Total FNB	**17 864**	16 536	8

FNB grew pre-tax profits 8% and delivered an ROE of 38.6%. This represents a solid performance from FNB SA (+11%) given the increasing economic and regulatory headwinds the business is currently facing and is testament to the quality of its transactional, lending and liabilities franchises.

FNB's overall NII increased 17% driven by growth in both advances (10%) and deposits (12%) and the positive endowment effect from higher interest rates.

The domestic retail lending businesses continued to show good growth on the back of the transactional cross-sell strategy. Despite some new business strain, particularly in unsecured, credit quality remains in line with expectations and credit appetite was tightened in the second half of the year.

Retail deposits again grew above market on the back of ongoing acquisition of core transactional accounts, and further strong momentum in sales of new products. The commercial segment also showed good new customer acquisition supporting advances and deposit growth.

SEGMENT ANALYSIS OF ADVANCES AND DEPOSIT GROWTH

	Deposit growth		Advances growth	
Segments	%	R billion	%	R billion
Retail	14	21.9	6	14.3
FNB Africa	19	5.8	20	7.2
Commercial	9	14.5	15	10.1

The table below shows that FNB's deliberate focus on acquiring and cross-selling to a "sweet spot" transactional retail and commercial customer has continued to generate high quality NII growth.

	Year-on-year growth		
Customer segment	Customer numbers %	Unsecured advances %	Deposits %
Consumer	4	2	8
Premium	10	27	18
Commercial	14	–	9

As expected, bad debts and NPLs are starting to trend up following strong book growth in previous periods and the worsening economic cycle. NPLs in the rest of Africa rose sharply, due to material economic headwinds in the year under review. NPLs in FNB's domestic unsecured books which have seen the strongest growth in new business, are trending in line with expectations and reflect the quality of new business written, appropriate pricing for risk and the effectiveness of FNB's customer segment and sub-segment origination strategies. NPLs were impacted by the adoption of a reclassification of distressed loans in the year under review. When the impact of this reclassification is excluded, total NPLs increased 15% year-on-year.

Overall provisioning levels have remained conservative with some of the overlays being incorporated into the models, in line with expectations. Utilisation of certain overlays will continue into the next financial year as modelled portfolio impairments continue to increase.

FNB's NIR growth of 8% was very robust particularly given the impact of the reduction in interchange fees, which became effective March 2015. Fee and commission income benefited from strong volume growth of 12% with ongoing momentum across the electronic channels, again demonstrating the success of FNB's electronic migration strategy. There was some negative impact from a reduction in cash-related NIR and the cost of rewards (+14%) linked to the e-migration and cross-sell strategy.

Cost growth in the South African business was well contained at 9% with total costs growing 11% on the back of continued investment in the rest of Africa expansion strategy. The cost-to-income ratio decreased marginally to 54% from 54.5%.

Pre-tax profits from FNB's subsidiaries in the rest of Africa declined 20% year-on-year driven by poor performances in Zambia and Mozambique as well as the impact of ongoing investment in Ghana and Tanzania where FNB continued to invest in footprint and product rollout.

With regard to FNB's new initiatives in insurance, over 500 000 policies were sold in the financial year on the new FirstRand Life licence. In terms of investment products, the FNB Horizon Series has been launched to FNB customers incorporating a range of five funds/unit trusts structured off the group's asset management platform to provide an optimal asset mix for certain investment timeframes. Initially sold only through FNB Advisors, R60 million of net flows were attracted in the first month.

OPERATIONAL HIGHLIGHTS

Commercial segment

- **Market share**
  - FNB Business remains a significant player in its market and enjoys a market share of 29% in Growth (R0 – R10 million) and 25% in Commercial (R10 million+).

Consumer segment

- FNB Life was recognised at an international insurance innovation ceremony for working on creating an omni-channel experience for the funeral product.
- FNB Connect contract activations increased year-on-year more than 60%.
- Total number of active Connect subscribers exceed 350 000 in the first year of operation.
- Prepaid sales exceeded targets and are approaching R10 billion.

Premium segment

- The FNB Banking App has showed significant growth during the past year, with volumes increasing 76%.
- The Channel Islands deposit book, now 12 months old, achieved the GBP 100 million milestone in June 2016.

CUSTOMER FRANCHISE AND OPERATING FOOTPRINT

FNB believes that strong customer relationships underpin the sustainability of its business. Two key measures of the business's success in building these relationships are growth in active customers and improvements in cross sell.

As previously mentioned, FNB has for several years consistently grown its customer base, particularly focusing on core transactional accounts. Whilst FNB believes that overall customer growth can continue in the medium term, its focus has shifted to growing an appropriate mix of customers to facilitate its cross-sell strategy. In the year under review VSI/cross-sell moved from 2.55 to 2.65 which is in line with targets, and customer numbers increased by over 400 000 and this was coupled with account growth of 10% across all products.

FNB continued to perform well in the South African Customer Satisfaction Index, improving on its previous SAcsi score (from 76.8 to 78). FNB's branches demonstrated a strong improvement (75.3 to 79.5) and is the only bank with a leading position across all digital channels.

FNB's customers indicated they feel they are treated fairly, giving FNB an average rating of just over 80 out of 100 across all aspects included in the measure.

FNB recalibrated its operating footprint in both South Africa and its African subsidiaries to align to its digital migration strategy, with branch representation points declining from 723 to 676 in the current period. The investment in rest of Africa resulted in strong growth in the branch network and the "emerging" African businesses will continue to optimise their networks in the year ahead.

	FNB – South Africa			FNB – Rest of Africa		
	2016	2015	% change	**2016**	2015	% change
Banking channels:						
Representation points (branches, agencies)	**676**	723	(7)	**174**	143	22
ATMs	**4 641**	4 978	(7)	**928**	808	15
ADTs	**1 763**	1 651	7	**–**	–	–
Total ATMs (including ADTs)	**6 404**	6 629	(3)	**1 102**	951	16

FNB received a number of independent endorsements and awards during the year which are another indicator of the quality of the franchise and its ability to innovate for customers. Awards received by FNB in the year include:

SA's Coolest Bank

- Sunday Times Generation Next Survey 2012, 2013, 2014, 2015 and 2016

Sunday Times Top Brands

- #1 Business Bank 2013, 2014 and 2015

SAcsi Survey 2016 and Columinate Internet Banking SITEsfaction Survey 2016

- Voted the best digital bank, internet banking site and mobile banking experience in South Africa

RepTrak™ Pulse Survey

- Bank with the Strongest Reputation – 2015 and 2016

Telecoms.com Awards

- Awarded most innovative MVNO in the 2015 and 2016

South African consumer satisfaction index (SAcsi) 2015 results (released in 2016):

FNB Business was:

- The overall leader in SAcsi in the growth segment
- The leader in the 'Most ideal bank' category in Commercial

MyPrivateBanking voted the FNB App the fourth best globally for private wealth management and 18th best globally under the banking app category. UX Alliance ranked the App 6th best in terms of usability

RMB

James Formby
CEO | RMB

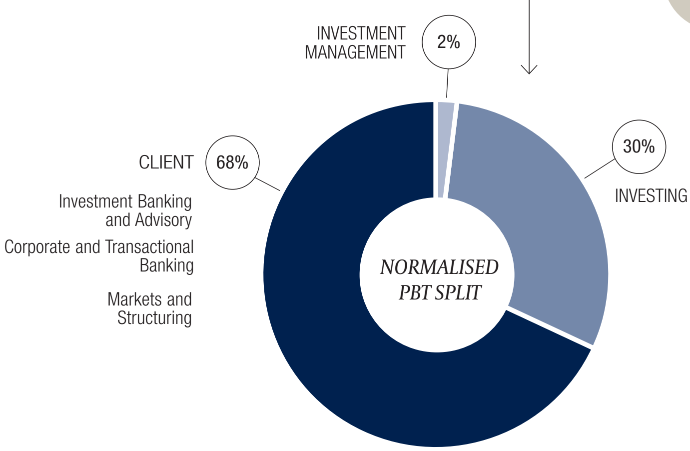
RMB represents the group's activities in the corporate and investment banking segments in South Africa, the broader African continent and India. The business strategy is anchored around its corporate and institutional clients and leverages a market-leading origination franchise to deliver an integrated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

PERFORMANCE IN 2016

Pre-tax profits (%)
– UP –
10

ROE (%)
25.2

High quality earnings from resilient & diversified portfolio of businesses



INVESTMENT BANKING & ADVISORY

– up –
17%

Excellent performance

Muted balance sheet growth reflects ROE preservation	Strong fee income from advisory and underwriting mandates
Additional proactive provisions for cycle	Margin compression from targeted growth in HQLA

CORPORATE & TRANSACTIONAL BANKING

– up –
17%

Strong profit growth

Greater leveraging of platforms & client bases	Increased client flows on back of FX volatility
Increased demand for structured and traditional trade products	Healthy growth in average operational deposits

AWARDS

- Investment Bank of the year – **African Banker Awards**
- SA's Best Investment Bank of the year – **Euromoney Awards for Excellence**
- Most Innovative Investment Bank in Africa – **The Banker Investment Banking Awards**

MARKETS & STRUCTURING

– **down** –

5%

Satisfactory result

- Standout performance in foreign currency and commodities
- Earnings constrained by a specific client credit event
- Buoyant equity results
- Ongoing investments in platforms and regulatory initiatives

INVESTMENT MANAGEMENT

– **up** –

23%

Good performance

- Strong performance from fund solutions
- Reduced credit appetite resulting in lower balance sheet growth and earnings

INVESTING

– **up** –

11%

Strong growth

- Unrealised portfolio remains robust at **R4.2 bn**
- Healthy annuity earnings from investor subsidiaries and associates
- Buoyant private equity market driving realisations

FINANCIAL PERFORMANCE OVERVIEW

R million	2016	2015	% change
Normalised earnings	**6 287**	5 758	9
Normalised profit before tax	**8 918**	8 136	10
Total assets	**435 133**	415 702	5
Total liabilities	**423 322**	405 465	4
Credit loss ratio (%)	**0.27**	0.42	
ROE (%)	**25.2**	24.2	
ROA (%)	**1.45**	1.39	
Cost-to-income ratio (%)	**45.1**	43.9	

RMB produced solid results with pre-tax profits increasing 10% to R8.9 billion and the business delivered an improved ROE of 25.2%. This performance was achieved against a challenging macroeconomic environment and highlights the resilience and diversification of RMB's portfolio of businesses. RMB's balance sheet remains robust, with high quality earnings and solid operational leverage despite platform investments and increasing regulatory and compliance spend.

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

In addition, during the year under review, the business model was further refined to more closely reflect the core activity view. All activities relating to the corporate and transactional banking pillar have been grouped in the Corporate Banking business unit. These include the transactional banking, trade and working capital, and global foreign exchange activities, some of which were previously reported in Global Markets. The table below shows the financial performance in a matrix that integrates the amended business unit and core activity views. The operational review commentary is on the basis of RMB's core activities.

*BREAKDOWN OF PROFIT CONTRIBUTION BY ACTIVITY**

	Year ended 30 June								
	2016							2015	%
R million	IB&A	C&TB	M&S	INV	IM	Other	Total	Total	change
Normalised PBT									
Global Markets	–	–	**1 318**	**(24)**	**122**	–	**1 416**	1 565	(10)
IBD	**3 565**	–	**52**	**125**	**51**	–	**3 793**	3 617	5
Private Equity	–	–	–	**2 588**	–	–	**2 588**	1 861	39
Other RMB	**(300)**	–	–	–	–	**(165)**	**(465)**	(264)	(76)
Investment banking	**3 265**	–	**1 370**	**2 689**	**173**	**(165)**	**7 332**	6 779	8
Corporate banking	–	**1 586**	–	–	–	–	**1 586**	1 357	17
Total RMB – 2016	**3 265**	**1 586**	**1 370**	**2 689**	**173**	**(165)**	**8 918**	8 136	10
Total RMB – 2015	2 801	1 357	1 447	2 423	141	(33)	8 136		
% change	17	17	(5)	11	23	(>100)	10		

Note:

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

The investment banking and advisory activities delivered an excellent performance, underpinned by strong fee income on the back of key advisory and underwriting mandates secured. It was achieved despite muted balance sheet growth and margin compression resulting from disciplined financial resource allocation, designed to achieve return profile preservation. Additional proactive provisioning, particularly in the mining, and oil and gas portfolios, has strengthened the portfolio coverage ratio as the corporate sector enters a weaker credit cycle.

Corporate and transactional banking activities produced strong profit growth on the back of greater leveraging of platforms and client bases. Liability-raising initiatives yielded positive results with higher deposit balances and an enhanced liquidity profile. Earnings benefited from increased demand for structured and traditional trade products, whilst the global foreign exchange business profited from currency volatility and increased client flows both locally and in the rest of Africa.

Markets and structuring activities delivered satisfactory results, with standout performance in foreign currency and commodities, benefiting from heightened volatility levels, which drove spreads wider and contributed to increased deal flow. In addition, equity performance was buoyed by higher market volumes and the negative impact of the December events on fixed income reversed in the second half, producing a good result given the levels of liquidity and flow in interest rate markets. Earnings were, however, constrained by a specific credit event related to a client impacted by the foreign exchange volatility, a reduction in structuring activity year-on-year and a decline in liquidity in corporate credit trading activities post December.

Investing activities produced strong growth, aided by a buoyant private equity market, which allowed for large realisations off a high base in the prior year. The quality and diversity of the Ventures and Corvest portfolios contributed to healthy annuity earnings from associates and investment subsidiaries. The unrealised value of the portfolio remains robust at R4.2 billion (2015: R4.9 billion). The strong growth in investing activities from Private Equity was softened by large once-offs earned from principal investment activities in IBD and Global Markets in the prior year.

Investment management activities benefited from a strong performance from fund solutions. This was, however, offset by reduced appetite for credit assets via the group's conduit programmes resulting in lower balance sheet growth and earnings from these platforms.

Unallocated franchise costs, endowment on capital invested, legacy portfolios and RMB Resources are reflected in other activities. The RMB Resources business reported a loss of R188 million, curtailing the loss of R409 million in the prior year, with both the equity and high yield debt portfolios remaining under pressure as a result of the downturn in the commodity cycle. As previously indicated, RMB is exiting these activities and is undertaking an orderly unwind of the portfolio with no new investments.

The strength of RMB's franchise is reflected in the number of major awards it received during the year, including:

African Banker Awards 2016

- Investment Bank of the Year (4th year running)
- Infrastructure Deal of the Year (Azuro-EDO IPP)

Euromoney Awards for Excellence 2016

- South Africa's Best Investment Bank (4th year running)
- Africa's Best Investment Bank

Financial Mail Ranking the Analysts 2016

- #1 Rated Desk Team: Equity Dealing, Equity Sales, Corporate Access, Administration
- #1 Rated Sector Analyst: Industrial Metals, Food, Hotel & Leisure, Strategy, Innovative Research, International Markets, Fixed Interest Securities, Credit Analysis

Ai africainvestor Deals of the Year 2016

- Transport (Angola National Roads)
- Power (Azuro-EDO IPP)

The Banker Investment Awards 2016

- Most Innovative Investment Bank in Africa

The Banker Deals of the Year 2016

- Green Finance (Africa) – Xina Solar One
- Infrastructure & Project Finance (Africa) – Azuro-EDO IPP
- Securitisation & Structured Finance (Africa) – Richards Bay Minerals
- Corporate Bonds (Africa) – Petra Diamond
- M&A (Middle East) – Al Noor/Mediclinic

Global Custodian Awards for Excellence 2015/2016

- International: Best South African Custodian
- Domestic: Domestic Market Outperformer

JSE Spire Awards 2015

- Best Inflation Bonds Team
- Best Repo Team
- Best Debt Origination Team
- Best On-screen Market Making Team
- Best Fixed Income Research Team
- Best Africa Research Team
- Best Inflation/Credit/FX Structuring Team
- Best Cash Settled Commodity Derivatives Market Maker

Chris de Kock
CEO | WESBANK

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

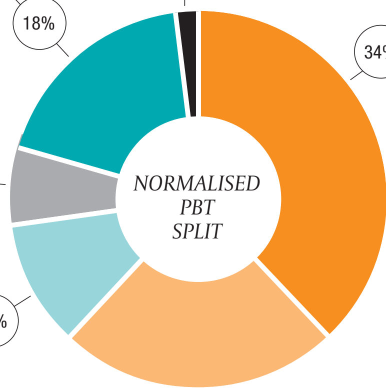
PERFORMANCE IN 2016

Normalised profit before tax (%)
– **UP** –
20

Return on equity (%)
21.8

ROA (%)
– **UP** –
1.99

Increasingly **diversified portfolio**



REST OF AFRICA

INSURANCE
- Retail and corporate
- MotoVantage

RETAIL VAF – SOUTH AFRICA
- Instalment finance
- WesBank

CORPORATE AND COMMERCIAL
- Traditional finance
- Leases
- Full maintenance rentals

PERSONAL LOANS
- Direct Axis
- Cash Power
- Telesure
- Clientele

RETAIL VAF – MOTONOVO (UK)
- Motor retail

AWARDS

Fairland Campus awarded a four star rating on the existing buildings by Green Building Council of South Africa. It is the largest office park in South Africa to achieve this star rating

Winner of the Excellence in the field of debt review award in the Vehicle Asset Finance category at the Annual Debt Review Awards

MotoNovo named the **Finance Provider of the Year** at the 2015 Car Dealer Power Awards

Profit contribution

WESBANK DELIVERS STRONG PERFORMANCE OFF HIGH BASE

Retail VAF – South Africa
– up –
15%

Good quality

- New business production growth of 5.8% (2015:0.5%)
- Margins held up despite competitive and funding pressures
- R160 million PBT contribution from MotoVantage including acquisitions – growth excluding MotoVantage +7%
- Bad debts in line with expectations

Retail VAF – (UK) MotoNovo
– up –
45%
(ZAR)
22%
(GBP)

Strong performance

- Strong advances growth at good margins on the back of:
  - New products
  - Expanded footprint
- Bad debts remain in line with expectations

Corporate and commercial
– up –
44%

Better credit performance

- Low new business production growth of 4.4% on the back of credit appetite and suppressed corporate demand
- Non-repeat of significant provisions in prior year
- Good traction in full maintenance leasing

Personal loans
– up –
4%

Resilient performance

- Advances increased 13%, however, new business production growth slowed to 5.4% (2015:9%)
- Cutback in risk appetite and NCA rate caps resulted in slowing advances growth
- Bad debts in line with expectations

NEW INITIATIVES ON TRACK

WesBank, Vumela and Uber created alliance to give Uber drivers access to an innovative rental scheme to fund the drivers of these chauffeur vehicles

Creation of MotoVantage to become a significant VAPS player

EXECUTION ON STRATEGY

WesBank continues to focus on growing its core business, while concurrently developing meaningful and sustainable earnings streams from activities complementary to the core instalment finance operation in South Africa.

The retail motor business continues to strengthen its client service offering along with manufacturer and dealer relationships. WesBank believes its point-of-sale presence, strong relationships and alliances, coupled with efficient new business acquisition processes, innovative customer and partner solutions, and competitive commission structures, allows for high quality origination.

WesBank's corporate and commercial offering has gained traction and now incorporates a full suite of products, including traditional instalment finance, leases, and full maintenance leasing capabilities.

The MotoNovo Finance motor retail business, predominantly represented in the independent dealer used-vehicle sector in the UK, has also enhanced its presence in that market through growth in footprint and an enhanced product offering.

The unsecured lending business, marketed under a number of alliance brands, including Direct Axis, CashPower, Telesure and Clientele personal loans, has also shown good growth, achieved through the application of a consistent and disciplined credit appetite within the target market.

Given the cyclical nature of WesBank's core businesses, strategies to diversify revenue streams from a product sector and geographical perspective have positioned the business well in the current cycle, and will deliver less volatile and more sustainable earnings through the cycle.

During the year, WesBank formalised its long-standing partnership with Hollard through the creation of MotoVantage, which intends to become a significant player in the value-added insurance (VAPS) industry. This has provided opportunities for cross- and up-sell into both the existing and new customer base in the retail VAF portfolio. The ability to blend a number of product offerings will assist in providing more comprehensive solutions to customers in the future.

The acquisition of Regent's insurance and life business by Hollard and Regent's VAPS' business by MotoVantage is well advanced and is anticipated to be concluded during the first half of 2017. This acquisition will further enhance the insurance product offering.

FINANCIAL PERFORMANCE OVERVIEW

R million	2016	2015	% change
Normalised earnings	**3 941**	3 221	22
Normalised profit before tax	**5 537**	4 632	20
Total assets	**205 700**	184 822	11
Total liabilities	**200 356**	178 232	12
NPLs (%)	**3.38**	3.23	
Credit loss ratio (%)	**1.58**	1.46	
ROE (%)	**21.8**	21.1	
ROA (%)	**1.99**	1.77	
Cost-to-income ratio (%)	**39.7**	41.5	
Net interest margin (%)	**4.89**	4.77	

WesBank delivered a very strong performance off a high base and in a very tough economic operating environment, producing a 20% (+15% in constant currency) increase in pre-tax profits to R5.5 billion, ROE of 21.8% and a ROA of 1.99%. The increasing level of diversification in WesBank's portfolio of businesses has positioned the franchise well to weather the domestic credit cycle, and deliver more sustainable, less volatile earnings.

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

*BREAKDOWN OF PROFIT CONTRIBUTION BY ACTIVITY**

R million	2016	2015	% change
Normalised PBT			
VAF			
– Retail SA	**2 358**	2 051	15
– MotoNovo (UK)**	**1 360**	937	45
– Corporate and commercial	**401**	278	44
Personal loans	**1 327**	1 271	4
Rest of Africa	**91**	95	(4)
Total WesBank	**5 537**	4 632	20

*** Normalised PBT for MotoNovo (UK) up 22% to GBP 63 million.*

Advances showed solid growth of 10% for the year mainly driven by resilient new business volumes in MotoNovo (UK) and the local VAF portfolios. Year-on-year growth in production in personal loans, however, was impacted by the NCA amendments. Overall new business production was up 16% with VAF and MotoNovo origination volumes up 6% and 36% (in GBP terms), respectively. WesBank's rest of Africa new business production grew 11% off a low base. All new business volumes continue to reflect good quality and the overall risk profile remains in line with current credit appetite.

Interest margins have held up well despite higher funding and liquidity costs and the continued shift in mix from fixed to floating rate business.

As anticipated, bad debts in the local VAF portfolio are trending upwards but remain within through-the-cycle thresholds and WesBank continues to be conservatively provided. NPLs as a percentage of advances are up and remain inflated by the high proportion of restructured debt review accounts, most of which are still paying according to arrangement, have never defaulted or have balances lower than when they entered debt review. Vintage performance continues to be closely monitored.

WesBank's NIR growth of 14% was driven by satisfactory new business volumes in the domestic portfolios, increasing insurance revenues on the back of the MotoVantage acquisitions in late 2015 and a strong performance from MotoNovo.

Operating expenses grew 10%, mainly driven by investment in growth initiatives in MotoNovo, which continues to expand its footprint and product offering in the UK as well as the inclusion of MotoVantage in the current financial year.

OPERATIONAL HIGHLIGHTS

The creation of MotoVantage with subsequent acquisitions to broaden the VAP (value added product) offerings in WesBank.

WesBank, FNB Vumela and Uber created an alliance to give Uber drivers access to an innovative rental scheme to fund the drivers of these chauffeur vehicles. This partnership will not only create jobs and empower drivers to become their own bosses, but this bespoke WesBank Uber Full Maintenance Lease Scheme, is a first of its kind in the world. The initiative has been nominated as one of the four finalists in the BAI Global Banking Innovation Awards under the Innovation in Societal and Community Impact category.

MotoNovo increased its market position to number 2 in the independent vehicle finance market.

In September 2015, the Fairland Campus was awarded a 4 star rating on the existing buildings by the Green Building Council of South Africa. It is the largest office park in South Africa to achieve the 4 star rating.

WesBank

- was the winner of the Excellence in the field of debt review award in the Vehicle Asset Finance category at the Annual Debt Review Awards.

MotoNovo

- was named the Finance Provider of the Year at the 2015 Car Dealer Power Awards;
- was ranked 6th Best Medium Sized Company to work for in the UK in 2016; and
- was the winner in the best product or service innovation category of the annual Auto Finance Awards ceremony.

This performance is very pleasing for a number of reasons. Following five years of outperformance, the group continues to show good growth in earnings off a very high base, so given all the economic and regulatory headwinds we face, 8% growth in earnings per share and a 24% ROE is a very good outcome.

Harry Kellan

cfo's report

Ordinary dividend per share

– UP –

8%

Diluted normalised earnings per share

– UP –

8%

FirstRand's portfolio produced a very resilient performance, growing normalised earnings per share 8% and producing an ROE of 24%. Normalised net asset value per share increased 10%.

INTRODUCTION

The impact of Brexit to global financial markets, coupled with the heightened risk aversion it has brought about, has resulted in ever tighter financial conditions globally. This allied with increased economic uncertainty has pushed global growth even lower than had been initially anticipated.

At the same time, South Africa's economy remains fragile due to continuing low domestic growth, which is forecast to prevail over the next few years. This has been further exacerbated by rising unemployment, still high double deficits and the significant foreign ownership of South Africa's bond and equity markets. Low growth combined with weaker balance sheets of some state-owned enterprises (SOEs) has added fiscal risk which is likely to result in a sovereign downgrade by the end of 2016.

The South African consumers' disposable income in certain segments of the market, particularly those exposed to high inflation, remained under pressure.

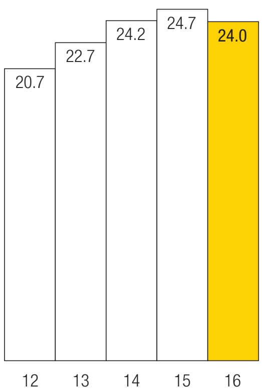
Across the broader region, certain African countries still face significant growth headwinds as the commodity cycle unwinds.

The group has delivered five years of superior growth and returns, as reflected below.

KEY PERFORMANCE INDICATORS

ROE

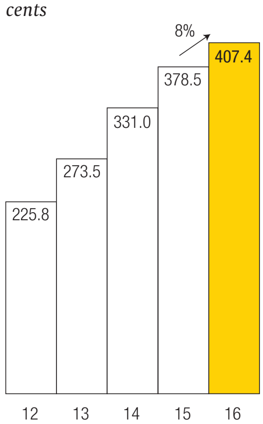
%



When the group analyses ROE, it also takes into account the relationship between ROA and gearing levels. The group's long-term ROE target range is 18% to 22% for normal economic cycles.

DILUTED NORMALISED EPS

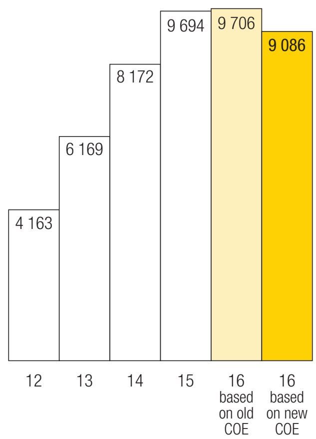
cents



The group targets long-term earnings growth of 3% to 5% in excess of nominal GDP growth, as this may vary in the short term, dependent on economic cycles.

NIACC

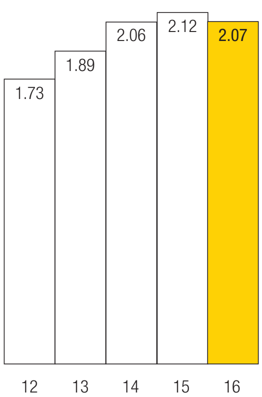
R million



Growth in NIACC is the group's internal benchmark for assessing performance. The current year performance was negatively impacted by an increase in cost of equity driven by elevated market rates. Based on the old COE, NIACC remained flat.

ROA

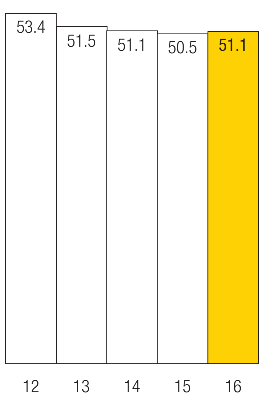
%



Maximising ROA is a key objective in creating shareholder returns. The group has stated previously that ROA was at a cyclical high.

COST-TO-INCOME RATIO

%



The group monitors efficiency through the cost-to-income measure. Whilst the group views the cost-to-income ratio as an outcome rather than a target, it recognises that balancing revenue growth and cost growth are key to value creation.

CREDIT LOSS RATIO

%

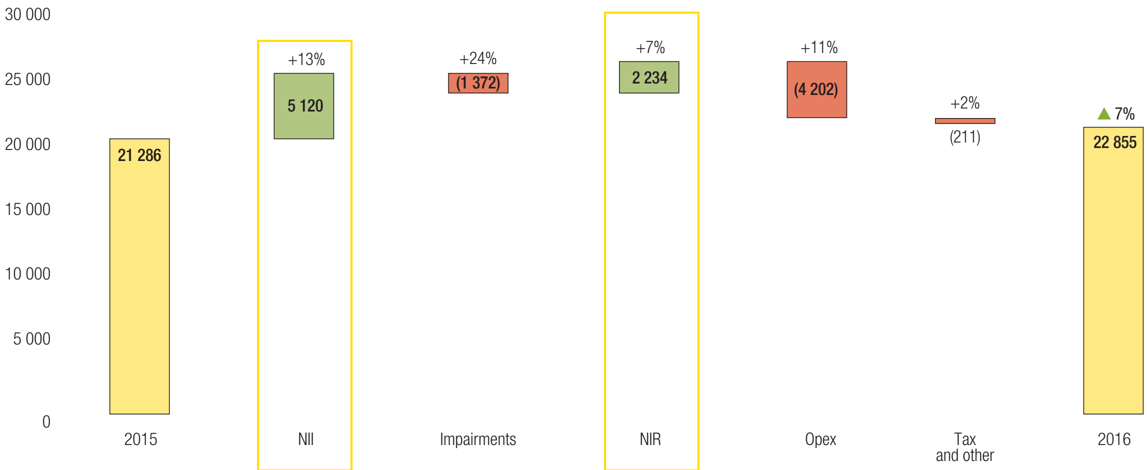
The group believes that pricing appropriately for credit risk is a key requirement for sustainable returns and targets a through-the-cycle charge range of 100 to 110 bps.

RESILIENT TOPLINE GROWTH

The graph below unpacks the major income statement components of the group's performance which was underpinned by resilient topline growth of 10%. Net interest income (NII) was the largest contributor, growing 13% on the back of good growth in deposits and advances combined with further margin expansion driven by positive endowment.

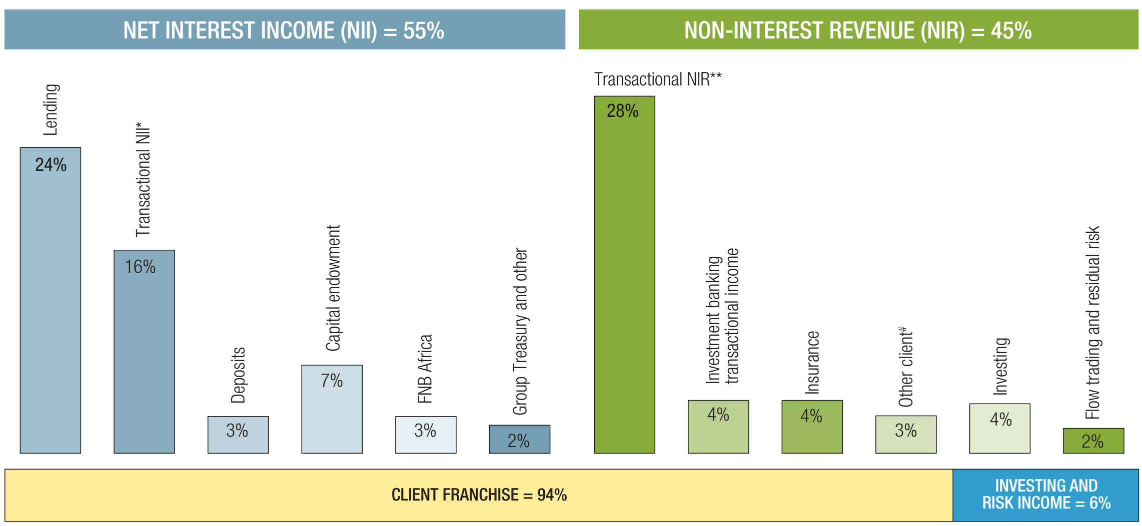
NORMALISED EARNINGS

R million



The quality and sustainability of the group's revenue base is demonstrated below. Client franchises account for 94% of revenues, with the transactional franchise representing 44% of total revenue.

GROSS REVENUE ANALYSIS



* *Includes transactional accounts and related deposit endowment, overdrafts and credit card.*
** *From retail, commercial and corporate banking.*
\# *Includes WesBank associates.*

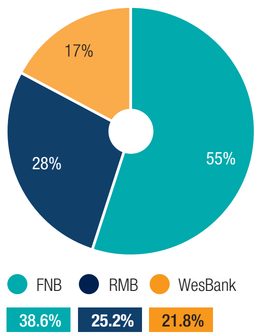
DIVERSIFICATION OF EARNINGS

The group also benefits from the level of diversification of revenues and earnings, and constantly evaluates the inherent value within its business model and portfolio as a whole within the context of its strategy, performance targets and the macroeconomic environment. Key diversification measures are the relative contribution to earnings from each franchise, market segment, product and geographic footprint, ultimately providing the appropriate mix of business activities, at both a franchise and segment level. Franchise and segment diversification are illustrated below.

FRANCHISE DIVERSIFICATION

Normalised earnings *R million*	**2016**	2015	% change
FNB	**12 282**	11 385	8
RMB	**6 287**	5 758	9
WesBank	**3 941**	3 221	22

*FRANCHISE SPLIT OF NORMALISED EARNINGS**

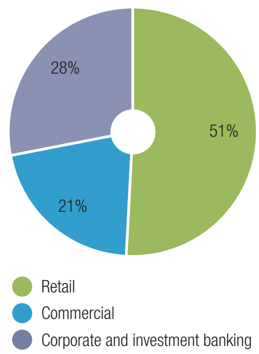


* *Excludes FCC (incl. Group Treasury), FirstRand company, consolidation adjustments and NCNR preference dividend.*

SEGMENT DIVERSIFICATION

Normalised earnings *R million*	**2016**	2015	% change
Retail	**11 574**	10 661	9
Commercial	**4 649**	3 945	18
Corporate and investment banking	**6 287**	5 758	9

*SEGMENT SPLIT OF NORMALISED EARNINGS**



* *Excludes FCC (incl. Group Treasury), FirstRand company, consolidation adjustments and NCNR preference dividend.*

NET INTEREST INCOME

NII showed strong growth of 13% on the back of both advances and deposit growth.

As can be seen from the table below, lending NII grew 9%, driven mainly by advances growth. Transactional NII grew 26%, reflecting deposit growth in transactional accounts and the endowment benefit from higher interest rates. Deposit NII growth was driven by sales of innovative savings and investment products.

ACTIVITY BREAKDOWN OF NII

Net interest income* *R million*	**2016**	2015	% change
Lending	**19 002**	17 461	9
Transactional NII**	**12 745**	10 082	26
Deposits	**2 794**	2 441	14
Capital endowment	**5 104**	3 893	31
Group Treasury	**730**	1 594	(54)
Rest of Africa	**2 730**	2 465	11
Other (non-interest earning assets, e.g. fixed assets)	**625**	674	(7)
Total net interest income	**43 730**	38 610	13

* *After taking funds transfer pricing into account.*

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

Capital endowment benefited from the increased levels of capital and higher rates. The decline in Group Treasury NII was driven by certain accounting asymmetries related to economic hedges and the outcome of certain financial resource management actions, i.e. the increased liquidity costs recovered from the franchises in the prior year which have now been incurred in rollover and new funding at higher market rates.

RETAIL ADVANCES GROWTH

The table below provides insight into the group's risk appetite and origination strategies, highlighting above or below trend growth rates in the current year.

RETAIL ADVANCES			
Mortgages	**Affordable housing**	**SA VAF**	**UK VAF (MotoNovo)**
Continued focus on low-risk FNB customers.	Credit demand and performance remains strong.	Volumes declining with vehicle sales and appetite reduced for higher-risk customers.	Market position and performance remains strong.
Card	**Personal loans**	**Rest of Africa**	**Transactional facilities**
Growth following FNB customers cross-sell strategy and transactional spend growth, but appetite reduced.	Automated processes and customer cross-sell driving growth, but appetite reduced.	Moderating growth and appetite with focus on FNB-banked customers.	Ongoing cross-sell and lending activation, but growth moderating and appetite reduced.

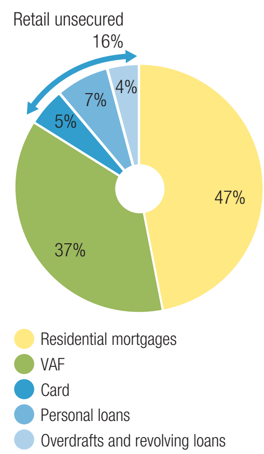
The composition and growth in the retail portfolios illustrated below.

R million	**2016**	2015	% change
Residential mortgages	**187 806**	180 208	4
VAF	**149 925**	132 743	13
– SA	**99 702**	98 131	2
– MotoNovo (UK)*	**50 223**	34 612	45
Card	**21 968**	19 488	13
Personal loans	**27 960**	24 333	15
– FNB	**16 090**	13 856	16
– WesBank	**11 870**	10 477	13
Transactional account-linked overdrafts and revolving term loans	**14 344**	12 314	16
Retail advances	**402 003**	369 086	9
Retail VAF securitisation notes	**14 641**	7 301	>100
FNB and WesBank rest of Africa advances**	**51 901**	43 728	19

* 41% advances growth in GBP terms.

** Includes in-country advances of FNB and WesBank as well as FNB's activities in India.

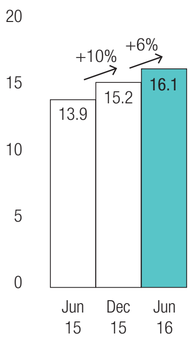
RETAIL ADVANCES BREAKDOWN (%)



A detailed breakdown of FNB's unsecured advances is provided below.

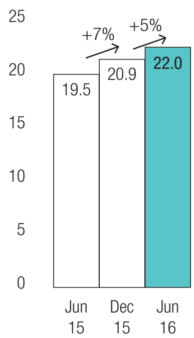
FNB PERSONAL LOANS

R billion



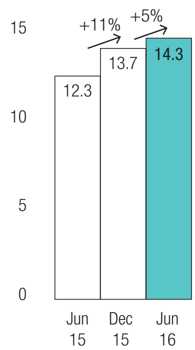
FNB CARD

R billion



*OTHER RETAIL**

R billion

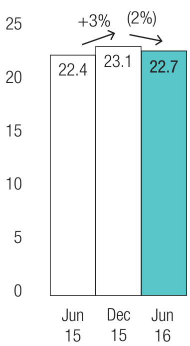


* *Transactional account-linked overdrafts and revolving term loans.*

The year-on-year growth in this portfolio was driven by FNB's strategy to cross-sell and up-sell to primary-banked customers with 96% of new FNB loans and 76% of new card limits to main transactional-banked FNB customers. As can be seen above, however, growth in these books moderated in the second half of the financial year as a result of risk appetite cutbacks.

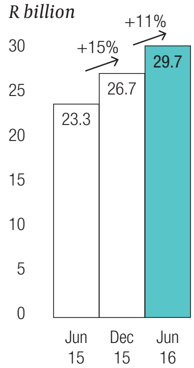
CONSUMER UNSECURED

R billion



PREMIUM UNSECURED

R billion

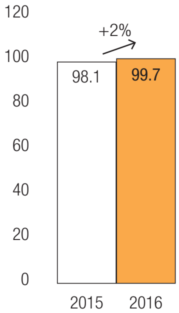


The segment split of FNB's unsecured retail advances above shows that the bulk of the growth occurred in FNB's premium segment as these customers have greater capacity to withstand the cycle. In the consumer segment, risk appetite was more constrained particularly in the second half of the financial year given that this customer base is far more sensitive to high inflation and increased levels of administered pricing.

A detailed breakdown of WesBank's retail advances portfolio is provided below.

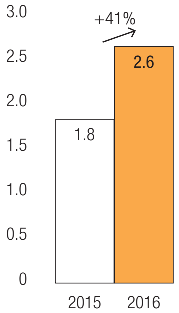
SA RETAIL VAF ADVANCES

R billion



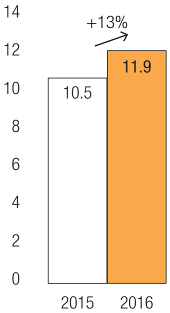
MOTONOVO (UK) ADVANCES

GBP billion



PERSONAL LOANS ADVANCES

R billion



WesBank's retail advances growth reflects the geographic diversification of this book. The SA VAF book growth of 2% illustrates WesBank's consistent risk appetite in a slowing vehicle sales market. As expected with new car inflation, there has been a marginal shift towards used vehicle sales.

MotoNovo in the UK grew advances on the back of new products and footprint expansion, with an increase of almost 40% in the number of dealers being serviced.

WesBank loans growth moderated in the second half of the financial year given risk cutbacks together with the impact of the NCA interest rate caps.

CORPORATE AND COMMERCIAL ADVANCES GROWTH

The table below provides insight on origination strategies, risk appetite and certain actions taken in the corporate and commercial portfolios.

COMMERCIAL ADVANCES					
Working capital	**Commercial property finance**	**Agri finance**	**Asset-backed finance**	**Small business (SMEs)**	**Rest of Africa and India**
→	→	→	→	↗	↗
Organic growth to existing clients with increasing utilisation levels. Selective acquisition of new clients.	Remain focused on banked owner-occupied. Selective acquisition of multi-tenanted deals.	Continue to diversify exposure across commodities and geographically. Proactive drought impact management.	Growth focus on customers across targeted industries. Cross-sell to banked clients.	Continue to cross-sell to relationship base with some tightening on new-to-bank and higher risk business.	Continue to target Africa-India corridor clients and introduce specialised product offerings.

CORPORATE ADVANCES			
Domestic working capital and term lending	**Domestic and rest of Africa infrastructure finance**	**Cross-border rest of Africa (excl. ZAR depreciation impact)**	**Acquisition finance to strategic SA corporates**
→	→	→	↗
Tracking nominal SA GDP.	Projects drawing down.	Moderated appetite and activity.	Lead arranger to a number of larger foreign acquisitions by SA corporates.

Commercial includes all advances to commercial clients across FNB and WesBank. Corporate includes advances to corporate and public sector customers across RMB, FNB and WesBank.

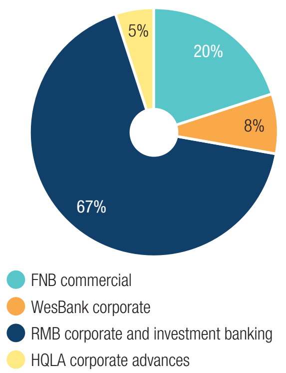
Similar to the retail portfolio, the relative book growth reflects macros and, as such, RMB's (corporate and investment banking) domestic advances, including HQLA, showed relatively subdued growth of 3%.

The composition of and growth in the corporate portfolios are shown below.

R million	**2016**	2015	% change
RMB IB core South Africa	**162 098**	166 260	(3)
HQLA corporate advances	**20 297**	9 494	>100
Investment banking-related corporate advances	**182 395**	175 754	4
RMB cross-border	**32 556**	24 319	34*
RMB CB core South Africa	**24 189**	23 924	1
WesBank corporate	**29 928**	30 881	(3)
FNB commercial	**77 239**	67 166	15
RMB repurchase agreements	**40 818**	35 600	15
Total corporate and commercial advances	**387 125**	357 644	8
RMB rest of Africa in-country advances	**5 742**	5 537	4

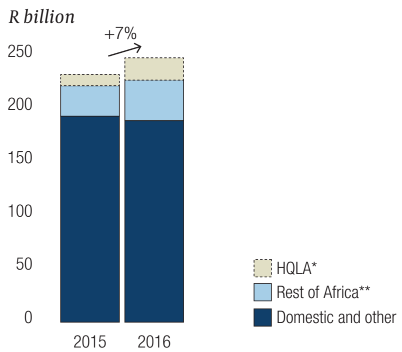
* *Cross-border advances increased 11% in USD terms.*

CORPORATE ADVANCES BREAKDOWN

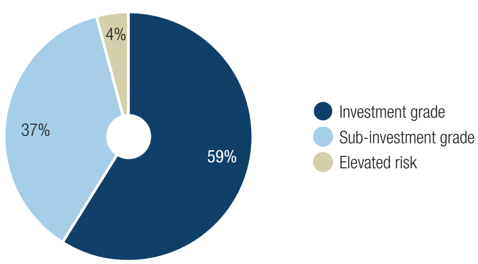


The following graphs provide a detailed breakdown of the operating franchises' corporate and commercial books.

RMB CORE ADVANCES



RMB PERFORMING BOOK#



* *HQLA included in Group Treasury, but originated in RMB. Included for illustrative purposes.*

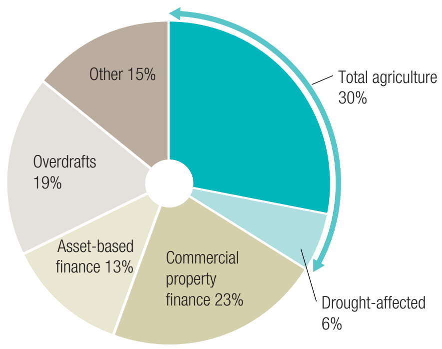
** *Includes cross-border and in-country.*

\# *International scale EAD.*

The above graphs show that the majority of RMB's advances are to investment-grade counters, however, given pricing pressures in this market, RMB chose to protect ROE at the expense of uneconomic growth. Overall advances including the rest of Africa and the cross-border book grew 7% overall, including the benefit of currency depreciation. The strategy of originating corporate loans in appropriate HQLA format gained further traction, which also benefited the group's LCR.

Total exposure across elevated risk sectors and jurisdictions have remained below 2% of the total corporate book, however, given the continued weaker credit environment, RMB took the opportunity to further increase portfolio provisions.

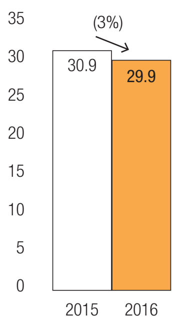
FNB COMMERCIAL ADVANCES BREAKDOWN



FNB Commercial grew advances 15%, reflecting its continued strategy of customer acquisition and appropriate credit cross-sell. The chart above shows that the overall book is well diversified with total agricultural exposures representing 30% of the commercial book. The agricultural book itself is also well diversified across both regions and underlying commodities, however, given previously identified concerns regarding drought impacted exposures, FNB has largely maintained the proactive provisioning against this portfolio.

WESBANK CORPORATE AND COMMERCIAL ADVANCES

R billion



WesBank's corporate and commercial book reflects limited corporate activity with regards to infrastructure spend as well as WesBank's deliberate strategy to focus on ROE preservation.

DEPOSIT FRANCHISE GROWTH

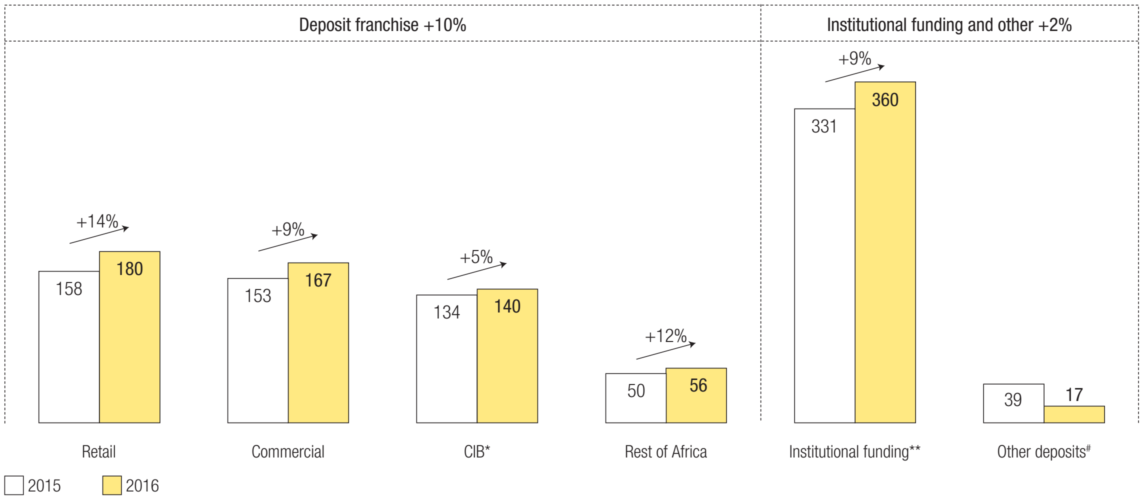
The deposit franchise delivered an excellent performance across all segments with overall deposits up 10%, driven by innovative products and enhanced pricing to customers.

Institutional and other funding increased only 2% domestically, with the 9% increase in total institutional funding driven by MotoNovo's securitisation funding and rand depreciation.

The following chart provides a breakdown of the group's funding by segment.

LIABILITIES

R billion



** Includes an adjustment for operational deposits from institutional clients in line with treatment for LCR purposes.*

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

 # Includes deposits in FRIHL and group adjustments.

MARGINS

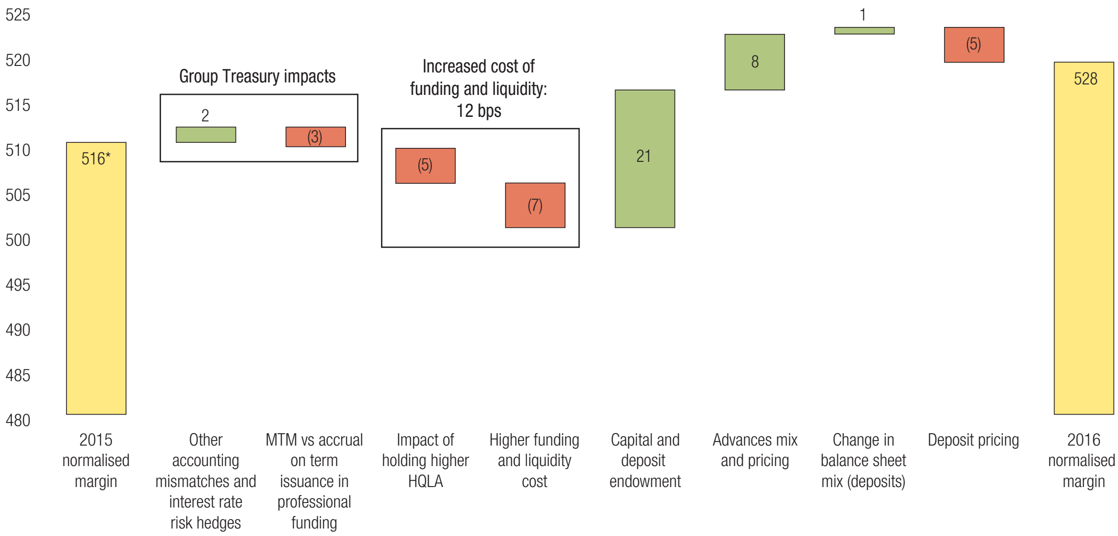
Net interest margin improved from a restated 5.16% for the prior year to 5.28% with increased funding and HQLA holding costs were offset by the benefit of endowment from capital and deposits.

Asset pricing and mix change in favour of higher-margin advances further benefited margins this year, supported by the ROE discipline in resource allocation by RMB and WesBank. A level of margin compression, however, resulted from pricing up to attract deposits and remain competitive.

A breakdown of the drivers impacting margin is depicted in the chart below.

MARGIN

bps



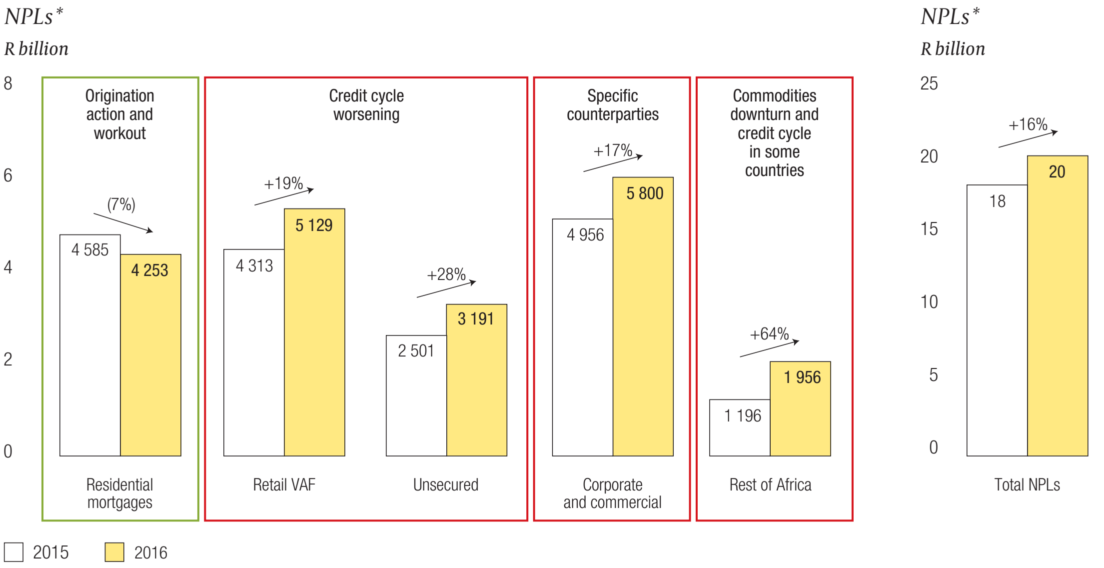
* *Restated.*

NPLs AND BAD DEBTS

As expected, NPLs started to trend up, largely driven by the retail portfolios. The bad debt charge moved from 77 bps to 86 bps in the current year.

The graph below reflects the true underlying credit trends in NPL formation:

- whilst the net reduction trend continued in residential mortgages, the absolute levels of reduction are slowing and are expected to turn going forward;
- retail VAF and unsecured lending NPL growth was driven by macros and acquisition strain;
- corporate NPL growth was driven by strong book growth in commercial lending as well as certain large corporate counterparties being relegated to NPLs; and
- the increase in the rest of Africa NPLs was expected given the pressure faced by the region, including some normalisation in the books of FNB's established subsidiaries.



* *Operational NPLs – excludes the impact of the distressed debt reclassification in FNB (R953 million – this increased NPLs by 5%).*

The above graph does not include the impact of FNB's reclassification of paying debt review customers to NPLs. In prior years, FNB and WesBank adopted different approaches to the treatment of unsecured loans customers in debt review. FNB did not specifically reference debt review as a default event, i.e. classified as NPLs, whereas WesBank classified all unsecured and VAF debt review customers as NPLs, whether in arrears or not. Following an assessment in the current year of the SARB Directive 7, the group took the opportunity to align FNB to WesBank's classification, which is even more stringent than the SARB requirements (D7). As a result, in the current year, FNB migrated all unsecured loans debt review customers from performing or arrears to NPLs.

For residential mortgages (secured loans), the treatment now is to reflect all debt review customers which are currently performing (i.e. no instalment in arrears under the original contract), to the next arrears bucket. Accounts that were two months in arrears were relegated to NPLs.

The consequence of this reclassification was minimal on the actual impairment charge, however, NPLs across all FNB retail portfolios increased R953 million in the current year, contributing a 5% increase to group NPLs (up 21%) and 0.3% to the ratio of retail NPLs as a % of advances.

The table below details the impact to NPLs in the current year across the affected FNB portfolios and for the group in total.

R million	Operational NPLs	Reclassified NPLs	Total NPLs	Total NPLs % increase	Operational NPLs % change
Residential mortgages	4 253	375	4 628	1	(7)
Card	559	200	759	86	37
Personal loans	843	252	1 095	61	24
Retail other	661	126	787	56	31
Total group NPLs	20 329	953	21 282	21	16

Operational NPLs include distressed debt review that migrated into NPLs through the normal ageing process (≥3 instalments past due) prior to the reclassification in the current year

Given that paying distressed debt customers have a lower LGD (loss given default) experience, the overall coverage per product reduces.

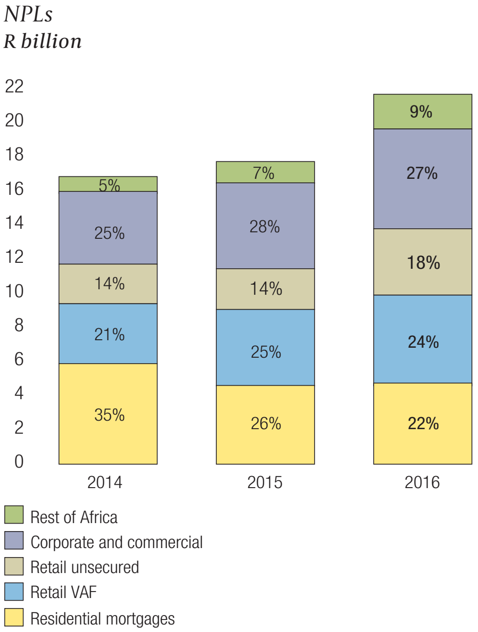
Coverage ratios %	Debt review coverage		Non-debt review		Total NPL coverage	
	2016	2015*	**2016**	2015	**2016**	2015
FNB credit card	**43.0**	–	**76.0**	72.7	**67.3**	72.7
FNB retail other	**43.0**	–	**75.6**	77.6	**70.4**	77.6
FNB loans	**66.7**	–	**70.1**	74.3	**69.3**	74.3
WesBank loans	**32.6**	46.6	**70.2**	67.7	**41.2**	53.0
SA retail VAF	**18.3**	25.2	**40.5**	38.4	**29.5**	32.0

* *2015 not restated for FNB and coverage not calculated.*

The group continues to adopt the policy of not rescheduling paying debt review customers to performing status irrespective of payment behaviour under debt review requirements. This is more conservative than the allowed treatment under D7 rehabilitation/curing requirements which allow the customers to be reclassified as "performing" once at least six consecutive payments are received. The next phase of the alignment project will agree the write off policies across the unsecured products and the group will take cognisance of IFRS 9 principles.

Impairment coverage

The total impairment coverage ratio reduced to 77.9% from 84.3% at June 2015, given the change in NPL mix and the impact of increased levels of paying debt review customers. The increase in portfolio impairments was driven by strong book growth in the unsecured lending portfolios, specifically personal loans and card, FNB retail other and FNB Africa.



Coverage ratios

%	2016	2015
Retail – secured	**26.7**	26.3
Residential mortgages	**21.9**	20.1
VAF	**31.0**	32.9
– SA	**29.5**	32.0
– MotoNovo (UK)	**60.7**	60.3
Retail unsecured	**60.7**	67.0
– Credit card	**67.3**	72.7
– Personal loans*	**55.1**	62.1
– Retail – other	**70.4**	77.6
Corporate and commercial	**45.1**	52.3
Rest of Africa	**36.1**	35.5
Specific impairments	**38.6**	40.1
Portfolio impairments**	**39.3**	44.2
Total coverage ratio	**77.9**	84.3

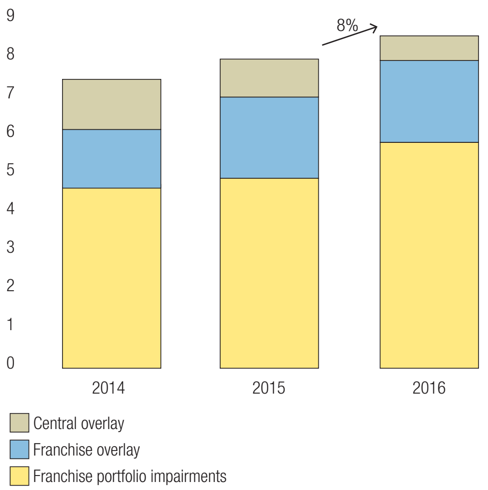
* *Includes FNB and WesBank loans.*

** *Includes portfolio overlays.*

HomeLoans coverage increased as expected, given the slower reduction in workouts. Corporate coverage decreased driven by higher security held across newer NPLs. Portfolio impairments increased 8% for the year, similar to overall advances growth.

Additional portfolio impairments of >R400 million were created in RMB against the broader resources portfolios. The performing book coverage ratio of 99 bps reduced marginally from the prior year of 100 bps. This was largely as a result of the partial central overlay release, given the previously identified risk manifesting with the NPL formation increasing in some of the underlying franchises and products over the last 12 months, resulting in higher specific impairments.

PORTFOLIO IMPAIRMENTS
R billion



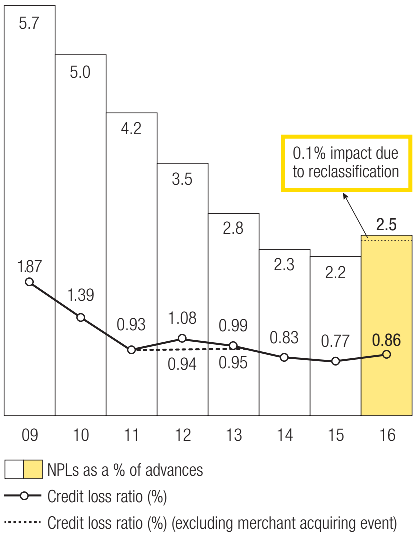
	Jun 2016	Dec 2015	Jun 2015
Portfolio impairments as % of performing book	**0.99**	0.97	1.00
Credit loss ratio (%)	**0.86**	0.77	0.77
Portfolio impairments (R million)	**8 359**	7 988	7 760

The expected deterioration in the underlying credit models given the emergence of the cycle resulted in franchise portfolio provisions increasing whilst the central overlay decreased R295 million. The central overlay still amounts to R630 million.

The franchise overlays have been maintained which still reflect the conservative positioning of the group, with the overall performing book coverage ratio of 99 bps still significantly above the group's overall annual credit charge.

Product impairment charges are detailed in the next table.

TOTAL NPLs AND IMPAIRMENTS
%



Credit loss ratio

%	2016	2015
Retail – secured	**0.72**	0.53
Residential mortgages	**0.21**	0.06
VAF	**1.38**	1.19
– SA	**1.39**	1.25
– MotoNovo (UK)	**1.35**	0.97
Retail – unsecured	**5.60**	4.82
Credit card	**2.73**	1.08
Personal loans	**7.85**	6.73
– FNB	**7.20**	5.42
– WesBank	**8.73**	8.49
Retail – other	**5.66**	6.81
Total retail	**1.48**	1.16
Corporate and commercial	**0.30**	0.45
Rest of Africa	**1.17**	0.90
FCC (including Group Treasury)	**(0.04)**	(0.04)
Total credit loss ratio	**0.86**	0.77

As illustrated in the graph above, the credit cycle is now reflected in the group's credit performance with residential mortgages and credit card increases beginning to normalise to through-the-cycle (TTC) rates. The rest of the portfolios are already in line with TTC levels.

In conclusion, the overall credit picture remains in line with expectations and reflects both the respective franchise growth strategies and specific origination actions taken in the different segments of the bank's customer base throughout the current credit cycle and are conservatively struck.

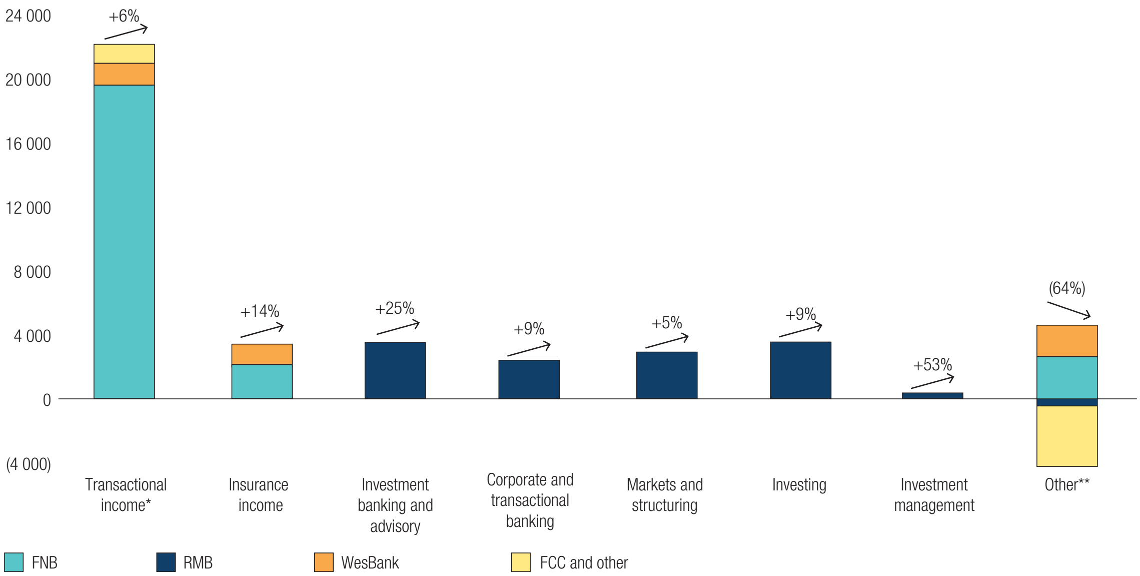
PORTFOLIO IMPAIRMENTS	**+8% to R8.4 billion**	Still prudent
SPECIFIC IMPAIRMENTS	**+17% to R8.2 billion**	Appropriate
INCOME STATEMENT CHARGE	**86 bps (still below TTC)**	In line with expectations

NON-INTEREST REVENUE

Total NIR (including income from associates) showed robust growth of 7% with a strong contribution from transactional NIR which grew 6% despite the negative interchange impact and the increased cost of rewards.

NON-INTEREST REVENUE

R million



* *Excludes RMB transactional income.*

** *Other includes FCC (including Group Treasury) and other.*

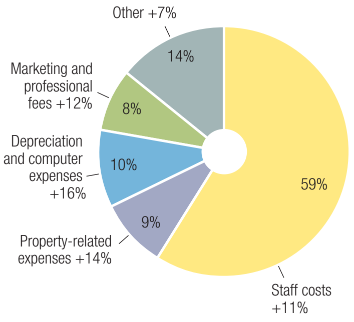
FNB grew NIR 7%, benefiting from transactional volume growth of 12%, in spite of the negative drag of c.R300 million from a reduction in interchange fees and an increase of 14% in allocated loyalty awards linked to the e-migration and cross sell strategy, The ongoing success in the e-migration of transactions is reflected in electronic volumes increasing 13%, with strong growth in mobile (+21%) and banking app (+76%). The success of the group's strategy to grow insurance revenues by providing appropriate products to meet customer needs is reflected in the growth of 14%.

WesBank's NIR increased 12%, including the growth from the MotoVantage insurance business. RMB's NIR grew 8%, benefiting from strong fee generation driven by growing fee and ancillary income business lines on the back of underwriting and distribution strategies. In addition, RMB delivered resilient equity-accounted income from private equity related activities, augmented by realisations in excess of R1.4 billion.

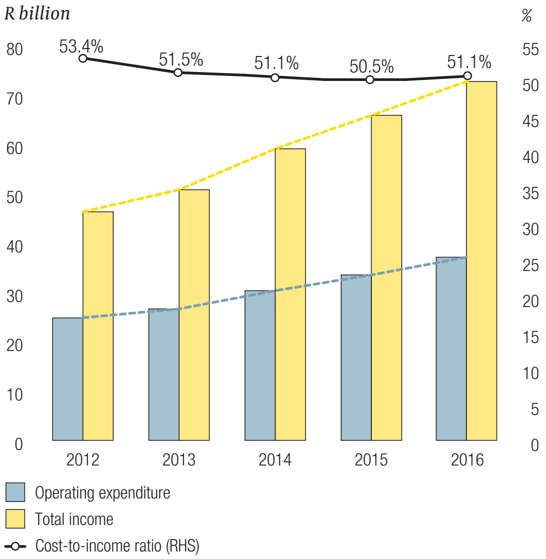
OPERATING EXPENSES

Overall growth in operating expenses was 11% driven by the 11% increase in staff costs, which remains the biggest contributor to costs (as shown in the chart below). Core costs grew only 8%, which indicates that other fixed costs were well managed and also reflects proper alignment of variable staff costs with performance. The increase in operating expenses is also reflective of continued investment in platforms, the group's operating footprint in the rest of Africa and regulatory requirements.

BREAKDOWN OF OPERATING EXPENSES

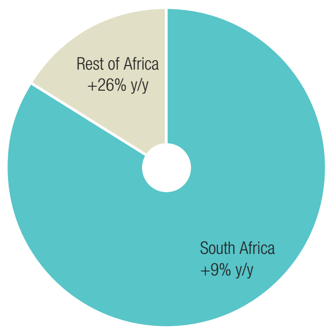


COST-TO-INCOME RATIO



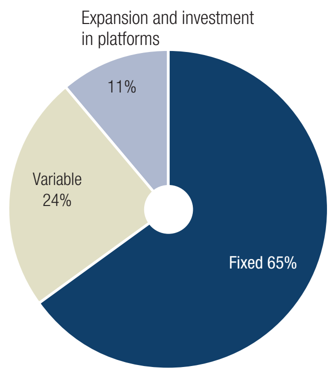
The group's cost-to-income increased to 51.1%, impacted by more muted topline growth, however, it is important to note that the group does not target a specific cost-to-income ratio – it is considered an outcome of strategy and a reflection of the group's ability to leverage its operating platform to deliver returns to shareholders. Despite topline pressure, the group will continue to focus on efficiencies.

FNB COST MIX



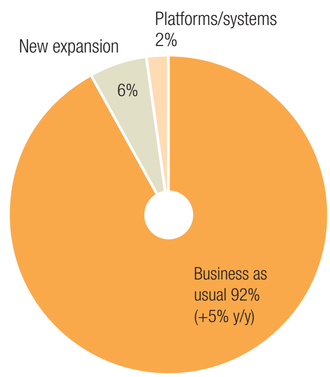
Overall cost growth: 11%

RMB COST MIX



Overall cost growth: 11%

WESBANK COST MIX



Overall cost growth: 10%

FNB cost-to-income ratio:	RMB cost-to-income ratio:	WesBank cost-to-income ratio:
54.0% ▼	45.1% ▲	39.7% ▼

Group cost-to-income ratio:
51.1% ▲

Unpacking costs at a franchise level, FNB's operating expenses reflect ongoing investment for future growth. Similarly, RMB's cost growth was driven largely by the investments in expansion, platforms and systems. WesBank remains a highly efficient business and its cost growth was driven by the expansion activities in both the SA and UK markets, together with rand depreciation, however, the 5% increase in business-as-usual costs reflects a very efficient business model.

MANAGEMENT OF FINANCIAL RESOURCES

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

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

Balance sheet strength and quality

The structure of the balance sheet reflects the group's strategy since 2009 to increase balance sheet resilience, diversify credit exposures across sectors and segments, and increase market liquidity with less reliance on institutional funding.

When assessing the underlying risk in the balance sheet, the group's asset profile is dominated by a balanced advances portfolio, which constitutes 79% of total assets. The composition of the net advances portfolio consists of retail secured (39%), retail unsecured (7%), corporate and commercial (45%) and rest of Africa and other (9%) with 90% of advances rated B or better. Total NPLs were R21 282 million (2.45% as a percentage of advances) with a credit loss ratio of 0.86%.

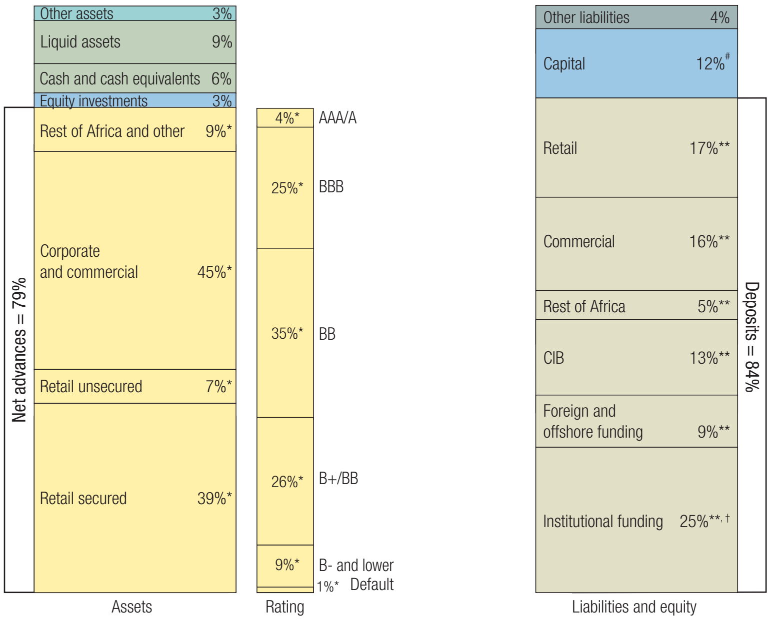
Cash and cash equivalents, and liquid assets represent 6% and 9%, respectively, of total assets. Only a small portion of assets relate to the investment and trading businesses. Market risk arising from trading activities has remained low and the group's equity investments relate primarily to RMB's private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

FirstRand's funding profile continues to reflect the structural funding issues associated with the South African banking sector, however, the group has continued to reduce its reliance on institutional funding and has further improved the term profile of institutional funding from a weighted average remaining term of 12 months in 2009 to 31 months at 30 June 2016 (2015: 31 months).

The group's capital ratios remained strong with the CET1 ratio 13.9%, Tier 1 ratio 14.6% and total capital adequacy ratio 16.9%. Gearing stayed constant at 11.6 times.

ECONOMIC VIEW OF THE BALANCE SHEET

%



* *As a proportion of loans and advances.*

** *As a proportion of deposit franchise.*

\# *Ordinary equity and non-controlling interests (10%) and NCNR preference shares and Tier 2 liabilities (2%).*

† *Includes institutional funding raised by Group Treasury, RMB and the London branch.*

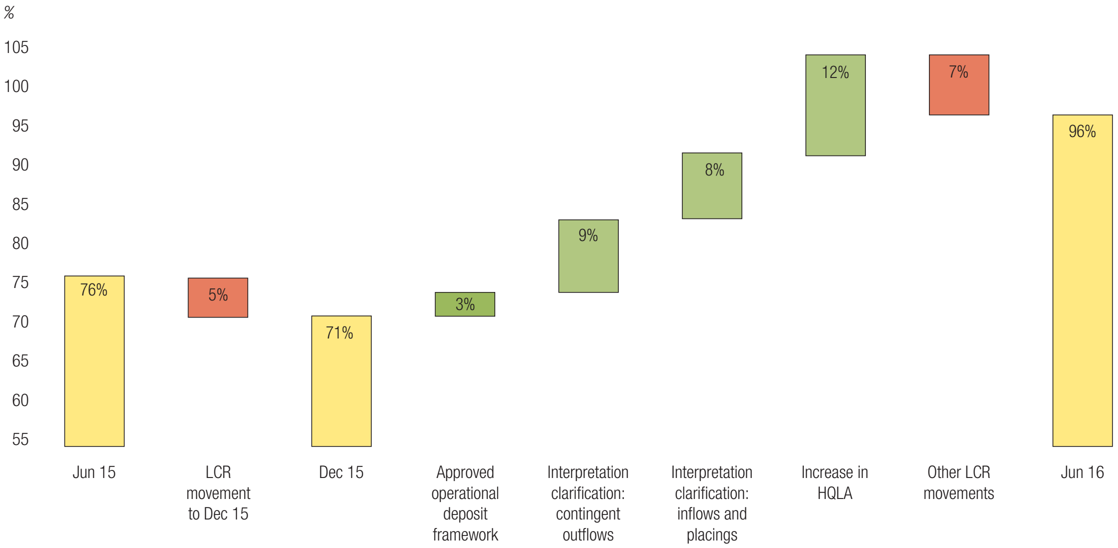
Note: Non-recourse assets have been netted off against deposits.
Derivative-, securities lending- and short trading position assets and liabilities have been netted off.

Liquidity position

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

The group's LCR is at 96%, well above the minimum regulatory level of 70%, and reflects a substantial increase over the year, which is unpacked in the following chart.

*LCR**



* *Includes CLF.*

Note: FirstRand group LCR = 96%, FirstRand Bank LCR = 102%.

The group's LCR increased due to an increase in HQLA holdings of R25 billion and a reduction in net cash outflows of R14 billion. This is as a result of targeted strategies to raise more stable funding sources and increase liquid asset holdings. In addition, certain components of the LCR have now been clarified by the SARB and industry working groups, which has allowed FirstRand to align its methodology with other sector players, resulting in a structural uplift in its LCR. This together with the approval of the operational deposits framework accounted for 20 percentage points of the LCR improvement.

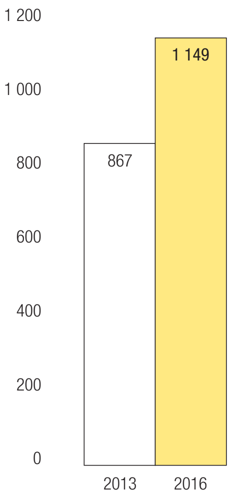
The group has followed a two-pronged strategy to address LCR requirements:

- strengthening the group's deposit franchises and lengthening the term profile of institutional funding; and
- making the asset side of the balance sheet more liquid, as illustrated in the chart below. This was achieved by originating assets into HQLA format, which has also benefited the group's LCR, but at a cost to margin.

TOTAL ASSETS

R billion

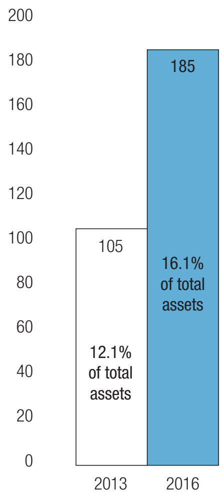
CAGR 10%



*CASH AND AVAILABLE LIQUIDITY**

R billion

CAGR 21%



* *Includes cash and liquid assets, HQLA and central bank eligible collateral.*

Capital position

Current targeted ranges and actual ratios are summarised below.

%	CET1	Tier 1	Total
Regulatory minimum*	6.9	8.1	10.4
Targets	10.0 – 11.0	>12.0	>14.0
Actual**	13.9	14.6	16.9

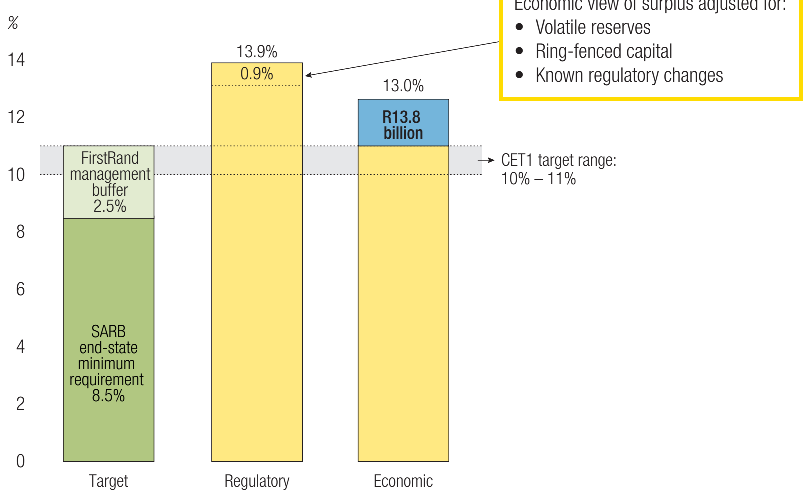
* *Excluding the bank-specific individual capital requirement and add-on for domestic systemically important banks.*

** *Includes unappropriated profits.*

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

The following graph, detailing the group's CET1 capital position, reflects total excess capital of R13.8 billion.

CET1 RATIO



As illustrated below, of the surplus, R4.4 billion is already committed to the group's expansion in South Africa and the rest of Africa. In addition, approximately R7.5 billion has been ring-fenced for acquisitions in priority countries. This amount has increased year-on-year largely due to exchange depreciation. The group considers this level of discretionary capital to be appropriate for deployment in envisaged growth opportunities.

Total R13.8 billion

Committed	**2.0**	**Capture larger share of profits from the broader financial services markets domestically** • FirstRand Insurance, Ashburton Investments, Regent VAPS and other
Committed	**2.4**	**Existing organic strategy in the rest of Africa**
Management discretion	**7.5**	**Acquisitions in priority countries**
Management discretion	**1.9**	**Other**

DIVIDEND STRATEGY

The group continues to seek to protect shareholders from any unnecessary volatility in dividend and annually assesses the appropriate level of payout taking into account:

- actual performance;
- forward-looking macros;
- demand for capital; and
- potential regulatory and accounting changes.

The outlook on the macroeconomic environment has deteriorated since this time last year and this leads the group to believe the level of dividend payout should continue to be considered within the range of 1.8x to 2.2x. With respect to the current level of capital, the group's fundamental philosophy is to return excess capital to shareholders should it not find appropriate growth opportunities for deployment. The group continues to believe a sufficient number of opportunities exist to deploy capital in the domestic market and rest of Africa, and will, therefore, continue to set aside a level of discretionary capital to facilitate this deployment.

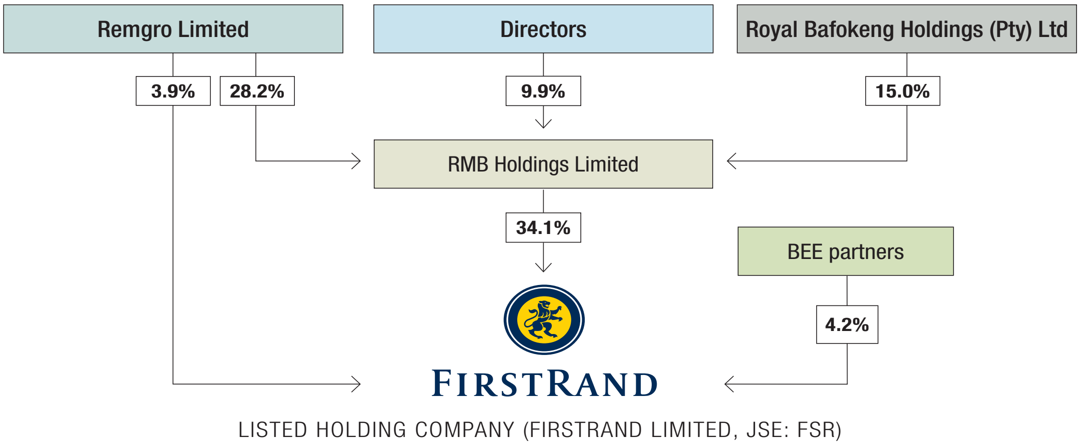
In summary, given the increased level of forecast risk and volatility combined with the anticipated impact of accounting and further regulatory changes, the group has maintained its dividend cover for the year to June 2016 at 1.8x, which is the lowest in the peer group.

CONCLUSION

The group believes that the diversification inherent in its portfolio, the quality of its operating franchises and a balance sheet that is well provisioned for the emergence of the credit cycle positions it positively on a relative basis in a tough operating environment. The revised strategic framework (outlined in the CEO's report) and disciplined financial resource management will allow FirstRand to continue to produce superior, sustainable returns to shareholders.

HARRY KELLAN
CFO

SIMPLIFIED GROUP STRUCTURE



100% – FirstRand Bank Limited – Banking

First National Bank[1]
Rand Merchant Bank[1]
WesBank[1]
FirstRand Bank India[2]
FirstRand Bank London[2,*]
FirstRand Bank Guernsey[2,**]
FirstRand Bank Kenya[3]
FirstRand Bank Angola[3]
FirstRand Bank Dubai[3]
FirstRand Bank Shanghai[3]

100% – FirstRand EMA (Pty) Ltd (FREMA) – Africa and emerging markets

58%	FNB Namibia
69%	FNB Botswana
100%	FNB Swaziland
90%	FNB Mozambique
100%	FNB Zambia
100%	FNB Lesotho
100%	FNB Tanzania
100%	First National Bank Ghana
100%	RMB Nigeria
100%	FirstRand International – Mauritius

100% – FirstRand Investment Holdings (Pty) Ltd (FRIHL) – Other activities

96%	RMB Private Equity Holdings
93%	RMB Private Equity
100%	RMB Securities
50%	RMB Morgan Stanley
100%	FNB Securities
100%	RentWorks
100%	Direct Axis
81%	MotoVantage
100%	FirstRand International – Guernsey
100%	RMB Australia Holdings
100%	FirstRand Insurance Services Company (FRISCOL)
100%	FirstRand Securities

100% – FirstRand Investment Management Holdings Limited – Investment management

100%	Ashburton Fund Managers
100%	Ashburton Investor Services
100%	Ashburton Management Company (RF)
100%	Ashburton Private Equity GP 1
100%	Ashburton Equity Hedge Fund GP 1
100%	Ashburton Investments International Holdings
100%	FNB CIS Management Company (RF)
100%	Atlantic Asset Management

100% – FirstRand Insurance Holdings (Pty) Ltd – Insurance

100%	FirstRand Life Assurance

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.

FIVE YEAR REVIEW – NORMALISED

R million	2012#	2013	2014	2015	**2016**	Compound growth %
Statement of financial position						
Total assets	767 069	866 807	946 609	1 059 262	**1 149 326**	11
Gross advances before impairments	538 535	613 748	709 079	793 964	**867 982**	13
Impairment of advances	11 256	12 683	13 900	14 793	**16 577**	10
Advances	527 279	601 065	695 179	779 171	**851 405**	13
NPLs	18 712	17 231	16 281	17 551	**21 282**	3
Deposits	606 299	697 035	768 234	865 521	**919 930**	11
Capital and reserves attributable to ordinary equityholders of the group	63 342	72 696	81 590	90 778	**99 794**	12
Income statement						
Net interest income before impairment of advances	24 869	28 100	33 415	38 610	**43 730**	15
Impairment of advances	(5 471)	(5 700)	(5 519)	(5 787)	**(7 139)**	7
Operational non-interest revenue	24 972	27 018	30 639	32 709	**34 989**	9
Share of profit of associates and joint ventures after tax	1 120	803	1 065	1 499	**1 453**	7
Operating expenses	(27 212)	(28 817)	(33 276)	(36 740)	**(40 942)**	11
Earnings attributable to ordinary equityholders	12 730	15 420	18 663	21 286	**22 855**	16
Key ratios						
ROE (%)	20.7	22.7	24.2	24.7	**24.0**	
ROA (%)	1.73	1.89	2.06	2.12	**2.07**	
Cost-to-income ratio (%)	53.4	51.5	51.1	50.5	**51.1**	
Credit loss ratio (%)	1.08	0.99	0.83	0.77	**0.86**	
NPLs as a % of gross advances (%)	3.48	2.81	2.30	2.21	**2.45**	
Non-interest income as a % of total income (%)	51.2	49.8	48.7	47.0	**45.5**	
Share statistics						
Price earnings ratio (times)	11.7	10.6	12.3	14.1	**11.0**	
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

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

** *The income statement is converted using the average rates as disclosed.*

\# *Statement of financial position restated for IFRS 10, 11 and IAS 19, but not income statement.*

Five year review – normalised *continued*

	2012#	2013	2014	2015	**2016**	Compound growth %
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 million)*						
Total assets	93 659	86 594	89 051	87 254	**78 399**	(4)
Gross advances before impairments	65 755	61 313	66 705	65 401	**59 208**	(3)
Impairment of advances	1 374	1 267	1 308	1 219	**1 131**	**(5)**
Advances	64 381	60 046	65 398	64 182	**58 077**	(3)
NPLs	2 285	1 721	1 532	1 446	**1 452**	(11)
Deposits	74 029	69 634	72 270	71 295	**62 751**	(4)
Capital and reserves attributable to equityholders of the group	7 734	7 262	7 675	7 478	**6 807**	(3)
Income statement (USD million)**						
Net interest income before impairment of advances	3 197	3 179	3 219	3 372	**3 014**	(1)
Impairment of advances	(703)	(645)	(532)	(505)	**(493.38)**	(8)
Operational non-interest revenue	3 210	3 056	2 952	2 857	**2 411**	(7)
Share of profit of associates and joint ventures after tax	144	91	103	131	**100**	(9)
Operating expenses	(3 498)	(3 260)	(3 206)	(3 209)	**(2 822)**	(5)
Earnings attributable to ordinary equityholders	1 636	1 744	1 798	1 859	**1 575**	(1)

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

** *The income statement is converted using the average rates as disclosed.*

\# *Statement of financial position restated for IFRS 10, 11 and IAS 19, but not income statement.*

	2012#	2013	2014	2015	**2016**	Compound growth %
Statement of financial position (GBP million)*						
Total assets	59 787	56 952	52 097	55 401	**58 430**	(1)
Gross advances before impairments	41 975	40 325	39 025	41 525	**44 127**	1
Impairment of advances	877	833	765	774	**843**	(1)
Advances	41 097	39 492	38 260	40 752	**43 284**	1
NPLs	1 458	1 132	896	918	**1 082**	(7)
Deposits	47 256	45 797	42 280	45 268	**46 768**	–
Capital and reserves attributable to equityholders of the group	4 937	4 776	4 490	4 748	**5 073**	1
Income statement (GBP million)**						
Net interest income before impairment of advances	2 020	2 027	1 978	2 143	**2 037**	–
Impairment of advances	(444)	(411)	(327)	(321)	**(333)**	(7)
Operational non-interest revenue	2 029	1 949	1 814	1 815	**1 630**	(5)
Share of profit of associates and joint ventures after tax	91	58	63	83	**68**	(7)
Operating expenses	(2 211)	(2 079)	(1 970)	(2 039)	**(1 907)**	(4)
Earnings attributable to ordinary equityholders	1 034	1 113	1 105	1 181	**1 065**	1

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

** *The income statement is converted using the average rates as disclosed.*

\# *Statement of financial position restated for IFRS 10, 11 and IAS 19, but not income statement.*

corporate governance

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contents

CORPORATE GOVERNANCE

CORPORATE GOVERNANCE

FirstRand's board of directors implements the highest standards of corporate governance at all operations. The board understands and values long-term and ethical client relationships, and has well-established governance processes for ensuring a balance between achieving business growth and meeting expectations of customers, regulators and society as a whole.

OBJECTIVE

Governance structures and processes are formally reviewed annually and continuously adapted to accommodate internal developments and reflect national and international best practice. The board considers corporate governance to be a priority and endeavours to go beyond compliance, where appropriate.

FirstRand's overarching corporate governance objective is to ensure that an adequate and effective process of corporate governance, which is consistent with the nature, complexity and risk inherent in the group's on- and off-balance sheet activities and that responds to changes in the group's environment and conditions, is established and maintained.

The above-mentioned objective includes ensuring compliance by the group with all relevant legislation, including but not limited to, the Banks Act, 1990 (Act No. 94 of 1990 – the Act) and the Regulations relating to Banks (the Regulations), compliance with the King Code of Governance Principles for South Africa 2009 (King Code) and any other best practice guidelines deemed appropriate to the effective functioning of the FirstRand group.

A comprehensive corporate governance review is available on the group's website: www.firstrand.co.za.

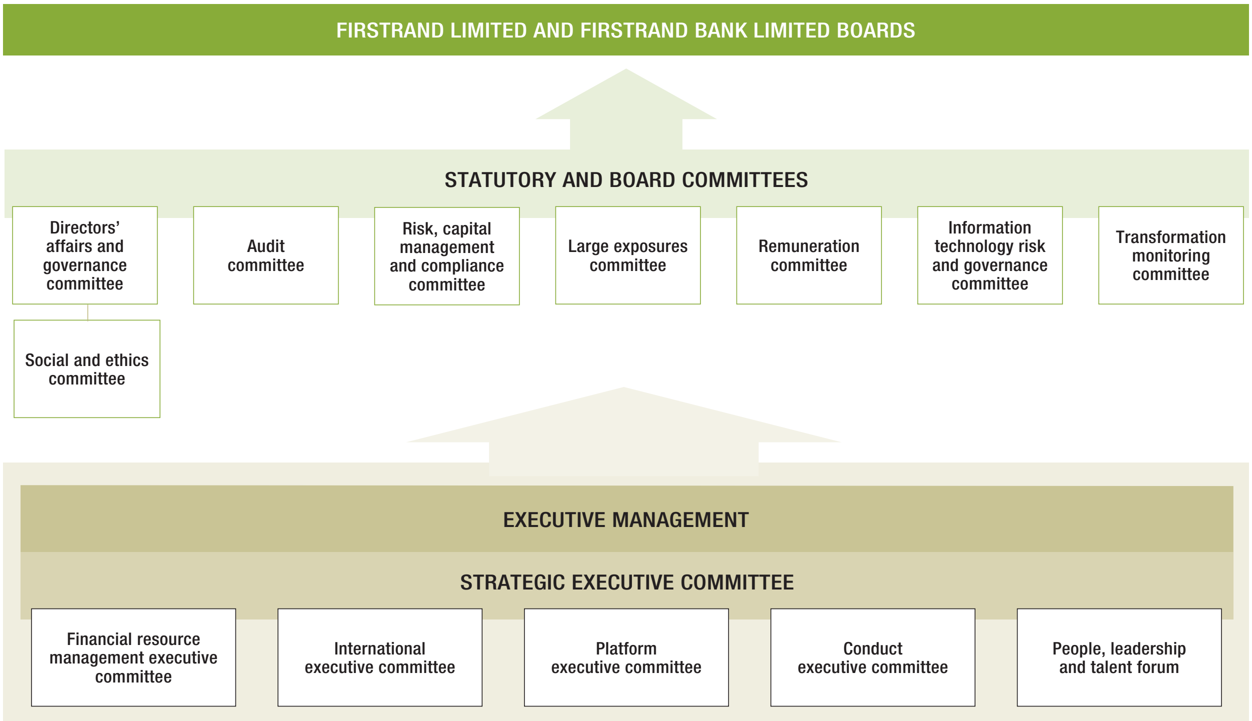
GOVERNANCE STRUCTURE

The board serves as the focal point and custodian of corporate governance in the group. This broad leadership role includes:

- providing direction and strategy;
- giving effect to strategy by approving policy, including plans, frameworks, structures and procedures;
- providing oversight of implementation; and
- demonstrating accountability and transparency through disclosure.

In discharging its responsibilities, the board is supported by senior management, together with various board committees and other governance forums and panels. Various management forums may be established for the purpose of gathering information, agreeing and tracking actions, and where necessary, escalating findings or recommendations to decision-making forums. In addition, FirstRand subsidiaries have their own boards of directors, which meet as required. FirstRand board committees have formal charters which are approved by the directors' affairs and governance committee at regular intervals.

FirstRand has established the governance structure as depicted below:



The board is assisted by FirstRand's strategic executive committee, which is the custodian of the board-approved group strategy and allocation of financial resources within the board approved risk/reward framework. The strategic executive committee is chaired by FirstRand's CEO and membership includes the deputy CEO, financial director, franchise CEOs, group treasurer and head of human capital and sustainability.

A simplified group structure, including major operating divisions, and local and international subsidiaries, is on page 64.

ECONOMIC IMPACT

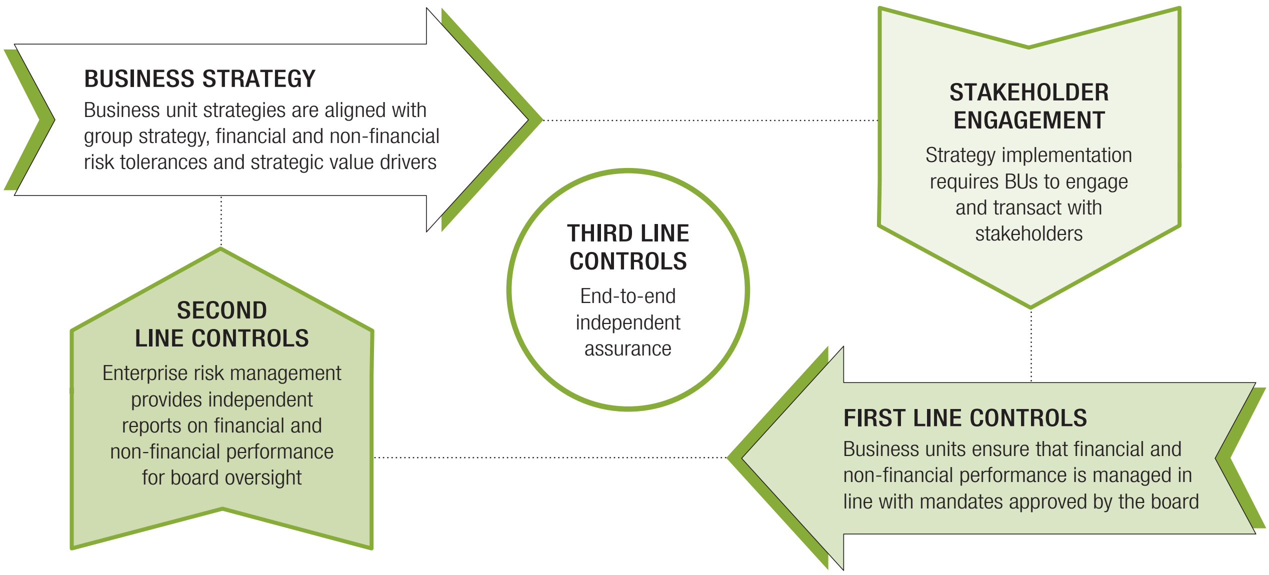
During the year the board oversaw the creation of nearly R100 billion of economic value for the group's stakeholders. Robust governance processes exist for overseeing the sustainability of this value creation.

STATEMENT OF ECONOMIC VALUE ADDED – IFRS

	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

INTEGRATED GOVERNANCE MODEL

FirstRand's integrated governance model allows for coherence between group strategy implementation and the long-term interests of its stakeholders. This is achieved through ensuring that the group's three lines of defence are appropriately aligned using a risk-based approach to identifying, monitoring and managing material issues.



STAKEHOLDER ENGAGEMENT

FirstRand has defined its stakeholders as entities and individuals that are affected by its activities and those which have the ability to impact the group's strategies and objectives.

	Engagement mechanisms			
Stakeholder group	Transactional dialogue and official communiqués	Face-to-face *ad hoc* engagement	Line management/ relationship managers	Regulatory returns
Government and regulators	✓	✓	✓	✓
Shareholders and analysts	✓	✓	✓	
Employees	✓	✓	✓	
Customers	✓	✓	✓	
Suppliers	✓	✓	✓	
Communities	✓	✓	✓	
Civil society		✓		

The board, as part of its decision making in the best interests of the group, ensures that a stakeholder-inclusive approach is adopted, which takes into account and balances stakeholder's legitimate and reasonable needs, interests and expectations.

Non-financial reporting policies

FirstRand's non-financial reporting policies are aligned to the Global Reporting Initiative G4 guidelines, incorporating recommendations set out in the King Code, JSE Socially Responsible Investment index, BEE transformation requirements set out by the Financial Sector Charter and the Department of Trade and Industry Codes of Good Practice.

Disclosures relating to non-financial issues have been selected based on principles of materiality and stakeholder inclusiveness. Material topics are defined as those reflecting significant economic, environmental and social impacts, or those that would influence the decisions of the group's stakeholders.

Data measurement techniques are replicable and information is not reported if the margin for error is believed to substantially influence the ability of stakeholders to make informed decisions about the company's performance. Measurement techniques, estimates and underlying assumptions are described when it is materially necessary to do so.

APPLICATION OF THE KING CODE

The board endorses the contents of the King Code and has satisfied itself that FirstRand has complied therewith in all material aspects throughout the year. The King Code adopts an apply or explain principle whereby a reasonable explanation for non-application of certain principles results in compliance. FirstRand has two areas where it adopts this principle for the year under review, as follows:

King III principle 2.16 states that the board should elect a chairman of the board who is an independent non-executive director.

FirstRand's chairman, Laurie Dippenaar, is non-executive but not independent in terms of the definition of independence adopted by the JSE. He is a major shareholder in RMB Holdings Limited, which owns 34.1% of the issued share capital of FirstRand. The board believes that his specialist knowledge of the financial services industry and of the FirstRand group makes it appropriate for him to hold this position. In line with the JSE Listings Requirements and the King Code, Pat Goss has been appointed as the lead independent non-executive director. The main function of the chairman and lead independent director is, *inter alia,* to mitigate any risk of potential conflicts of interest in board meetings and ensures that the independent members of the board demonstrate impartiality and leadership when required. The chairman and lead independent director are appointed by the board on an annual basis.

All directors, whether classified as executive, non-executive or independent non-executive have a duty to act with independence of mind in the best interest of the group. In addition, there is a clear balance of power and authority at board level to ensure that no one director has unfettered powers of decision-making.

King III principle 3.2 states that audit committee members should be suitably skilled and experienced non-executive directors and should be constituted of at least three independent members.

FirstRand's audit committee is constituted in accordance with South African banking regulations.

At year end, FirstRand's audit committee comprised six non-executive directors, five of whom are independent. The committee is, therefore, not composed exclusively of independent directors as recommended by King III. Mr Paballo Makosholo represents one of the group's BEE partners and is, therefore, defined as non-independent in terms of group definitions. The board is of the opinion that the specialist skills, experience, knowledge of the group and the value that Mr Makosholo brings to audit committee deliberations warrant his ongoing membership.

FirstRand's application of the 75 King Code principles is available on the group's website: www.firstrand.co.za.

BOARD OF DIRECTORS

As at 30 June 2016, FirstRand had a unitary board of 21 members. 18 of the directors are non-executive, 10 of whom are independent. The board met four times during the year, attended as follows.

	September 2015	November 2015	February 2016	May 2016
Executive directors				
JP Burger	✓	✓	✓	✓
HS Kellan	✓	✓	✓	✓
SE Nxasana[1]	✓	–	–	–
AP Pullinger[2]	–	✓	✓	✓
Independent non-executive directors				
VW Bartlett	✓	✓	✓	✓
GG Gelink	✓	✓	✓	✓
PM Goss	✓	✓	✓	A
NN Gwagwa	✓	✓	✓	✓
WE Jardine	✓	✓	✓	✓
RM Loubser	✓	✓	✓	✓
EG Matenge-Sebesho	✓	✓	✓	✓
D Premnarayen	A	✓	✓	✓
BJ van der Ross	✓	✓	✓	✓
JH van Greuning	✓	✓	✓	✓
Non-executive directors				
MS Bomela	✓	✓	✓	✓
P Cooper (alternative director)	✓	✓	✓	A
L Crouse[3]	✓	✓	✓	–
LL Dippenaar (chairman)	✓	✓	✓	✓
JJ Durand	✓	✓	✓	✓
PK Harris	✓	✓	A	✓
F Knoetze[4]	–	–	–	A
PJ Makosholo[2]	–	✓	✓	✓
AT Nzimande	✓	✓	✓	✓
KB Schoeman[5]	A	–	–	–

A – Apologies tendered and accepted.

1. Retired with effect from 30 September 2015.

2. Appointed with effect from 1 October 2015.

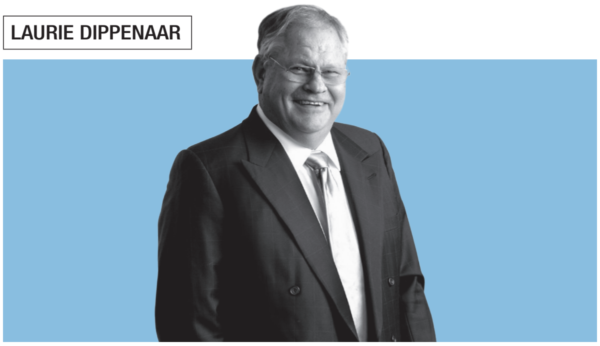
3. Retired from the board with effect from 31 March 2016.

4. Appointed with effect from 1 April 2016. Committee meeting date conflicted with arrangements made prior to appointment.

5. Resigned with effect from 30 September 2015, following rotation of Kagiso Charitable Trust representative.

SKILLS AND EXPERIENCE

LAURIE DIPPENAAR



LAURITZ LANSER (LAURIE) DIPPENAAR (67)

Non-executive chairman

MCom, CA(SA)

Appointed July 1992

JOHAN BURGER

JOHAN PETRUS BURGER (57)

Chief executive officer

BCom (Hons), CA(SA)

Appointed January 2009

ALAN PULLINGER

ALAN PATRICK PULLINGER (50)

Deputy chief executive officer

MCom, CA(SA), CFA

Appointed October 2015

HARRY KELLAN

HETASH (HARRY) SURENDRAKUMAR KELLAN (44)

Financial director

BCom, BCom (Hons), CA(SA)

Appointed January 2014

VIV BARTLETT

VIVIAN WADE (VIV) BARTLETT (73)

Independent non-executive director

AMP (Harvard), FIBSA

Appointed May 1998

MARY BOMELA

MARY SINA BOMELA (43)

Non-executive director

BCom (Hons), CA(SA), MBA

Appointed September 2011

PETER COOPER

PETER COOPER (60)

Alternate non-executive director

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

Appointed July 2013

JANNIE DURAND

JAN JONATHAN (JANNIE) DURAND (49)

Non-executive director

BAcc (Hons), MPhil (Oxon), CA(SA)

Appointed October 2012

GRANT GELINK

GRANT GLENN GELINK (66)

Independent non-executive director

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

Appointed January 2013

PAT GOSS

PATRICK MAGUIRE (PAT) GOSS (68)

Independent non-executive director

BEcon (Hons), BAccSc (Hons), CA(SA)

Appointed May 1998

LULU GWAGWA

NOLULAMO NOBAMBISWANO (LULU) GWAGWA (57)

Independent non-executive director

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

Appointed February 2004

PAUL HARRIS

PAUL KENNETH HARRIS (66)

Non-executive director

MCom

Appointed July 1992

ROGER JARDINE

WILLIAM RODGER (ROGER) JARDINE (50)

Independent non-executive director
BSc (Physics), MSc (Radiological Physics)
Appointed July 2010

FAFFA KNOETZE

FRANCOIS (FAFFA) KNOETZE (53)

Non-executive director
BCom (Hons), Fellow of the Actuarial Society of South Africa
Appointed April 2016

RUSSELL LOUBSER

RUSSELL MARK LOUBSER (66)

Independent non-executive director
BCom (Hons) (Accounting), MCom (Statistics), CA(SA)
Appointed September 2014

PABALLO MAKOSHOLO

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

ETHEL MATENGE-SEBESHO

ETHEL GOTHATAMODIMO MATENGE-SEBESHO (61)

Independent non-executive director

MBA (Brunel), CAIB (SA)

Appointed July 2010

TANDI NZIMANDE

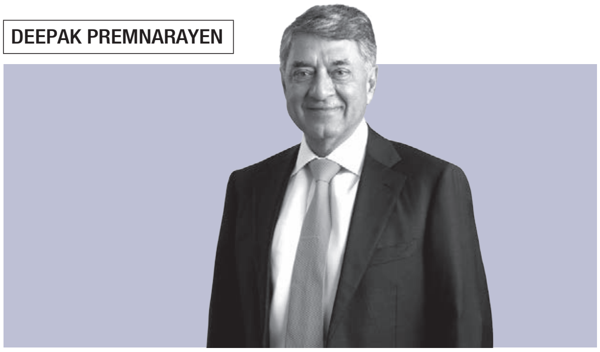
AMANDA TANDIWE (TANDI) NZIMANDE (46)

Non-executive director

BCom, CTA (UCT), CA(SA), HDip Co Law (Wits)

Appointed February 2008

DEEPAK PREMNARAYEN



DEEPAK PREMNARAYEN (70)

Independent non-executive director

BA Economics (Hons) India

Appointed January 2009

BENEDICT VAN DER ROSS

BENEDICT JAMES VAN DER ROSS (69)

Independent non-executive director

Dip Law (UCT)

Appointed May 1998

HENNIE VAN GREUNING

JAN HENDRIK (HENNIE) VAN GREUNING (63)

Independent non-executive director

DCom (Economics), DCompt (Accounting Science), CA(SA), CFA

Appointed January 2009

DIRECTORS' AFFAIRS AND GOVERNANCE COMMITTEE

WR Jardine
Chairman

The directors' affairs and governance committee is satisfied that it and all board committees have complied with the requirements of their charters and that all reasonable measures have been taken to ensure that the highest standards of corporate governance are implemented at all operations.

The purpose of the directors' affairs and governance committee is to assist the board in evaluating the adequacy, efficiency and appropriateness of the corporate governance structures and practices of the group in terms of the South African financial services regulations, the Companies Act, no. 7 of 2008, relevant international regulations, the JSE Listings Requirements, the King III code and other regulations having a bearing on the activities of the group. In addition, the committee fulfils the role of the nominations committee, as required by the King Code, and maintains the board directorship continuity programme.

2016 IN REVIEW

QUARTER ONE

- Approved the 2015 governance assessments
  – directors' affairs and governance committee assessment
  – board assessment
  – Regulation 39 assessment
- Considered the outcomes of individual director and company secretary performance assessments, including a special review of directors serving for nine years or more
- Opined on group nominations and retirements
- Conducted annual review of non-executive directors' fees

QUARTER TWO

- Approved the 2016 group corporate governance objective and plan
- Approved a proposal on corporate governance rationalisation which included proposals to form the new information technology risk and governance, and social, ethics and transformation monitoring committees
- Opined on group nominations and retirements
- Conducted technical director training on the third draft of the Financial Sector Regulation Bill and twin peaks overview and enabling effective compliance oversight through case studies

QUARTER THREE

- Approved governance assessment templates
- Opined on group nominations and retirements
- Considered executive succession planning proposals and process
- Considered gender diversity targets per JSE Listings Requirements
- Reviewed and approved its committee charter
- Reviewed and approved the nominations committee charter
- Conducted technical director training on cybercrime and IT risk, Financial Intelligence Centre Act Amendment Bill and JSE amendments on price sensitive information

QUARTER FOUR

- Approved the 2016 governance assessments
  – directors' affairs and governance committee assessment
  – board assessment
  – Regulation 39 assessment
- Opined on group nominations and retirements
- Conducted technical director training on liquidity risk and personal account trading – director dealings

AT EVERY MEETING

- Considered reports from the social and ethics committee

REGULATORY REQUIREMENTS

In line with Regulation 39 of the Banks Act, the committee is required to assess and document whether the processes implemented by the FirstRand group relating to corporate governance, internal controls, risk management, capital management and capital adequacy have successfully achieved the corporate governance objectives set and approved by the board.

The assessments conducted during the year confirmed that, overall, an adequate and effective process of corporate governance, which is consistent with the nature, complexity and risk inherent in the group's on- and off-balance sheet activities, has been implemented.

NOMINATIONS COMMITTEE

There is a clear policy in place detailing procedures for appointments to the board. Such appointments are formal and transparent, and a matter for the board as a whole, assisted by the committee and, when necessary, the nominations committee. Prior to the appointment of a new director, the nominations committee is responsible for interviewing nominees for the role and making recommendations to the directors' affairs and governance committee as to their suitability.

The nominations committee meets *ad hoc* when the need arises and is constituted exclusively of six non-executive directors, the majority of whom are independent, and is chaired by the chairman of the directors' affairs and governance committee.

The nominations committee convened once during the reporting period as follows.

	February 2016
WR Jardine (chairman)	✓
LL Dippenaar	✓
PM Goss	✓
NN Gwagwa	✓
BJ van der Ross	✓
JH van Greuning	✓

When appointing directors, the board takes cognisance of its needs in terms of different skills, experience, cultural and gender diversity, size and demographics. Whilst no specific targets have been set, the board is committed to increasing its gender diversity at board and top management level, in line with the nominations committee charter.

The retirement age for non-executive directors is 70 and may be extended after an annual review process, if unanimous agreement is reached by the board that the skills and experience of a director warrant retention.

Each year, one third of FirstRand's non-executive directors retire. There is no limit to the number of times that a director may be re-elected to the board. When FirstRand directors retire from the board they automatically retire from the committees on which they serve.

Non-executive directors are expected to ensure that appointments to boards outside of the group do not impinge on their ability to perform their duties as directors of FirstRand and do not present any material conflicts of interest. The appointment of all directors to the board requires the approval of shareholders at the annual general meeting. In addition, in terms of South African banking regulations, all directors of a bank or a bank-controlling company must be approved by the South African Reserve Bank. During the year, the committee oversaw the necessary actions for ensuring compliance with this requirement.

The directors are accountable and responsible for all actions of board committees. This is emphasised during induction training provided to new directors. Other ongoing training and education courses allow directors to familiarise themselves with FirstRand's operations, the business environment, fiduciary duties and responsibilities, the board's expectations in respect of a director's commitment and ethical behaviour, and keeping abreast of regulatory changes and trends. The committee oversees director induction and ongoing training programmes.

ANNUAL ASSESSMENT

During the year the committee measured their effectiveness and that of the individual members. As part of these evaluations the independence of independent non-executive directors is evaluated, in particular those directors who have served continuously for nine years or more.

Evaluations conducted during the year identified no material concerns in respect of the board, board committees or individual director performance.

PROCEEDINGS AND PERFORMANCE REVIEW

The committee is chaired by Roger Jardine, an independent non-executive director, and consists of all FirstRand's non-executive directors.

Attendance at committee meetings was as follows.

	September 2015	November 2015	February 2016	May 2016
WR Jardine (chairman)	✓	✓	✓	✓
VW Bartlett	✓	✓	✓	✓
GG Gelink	✓	✓	✓	✓
PM Goss	✓	✓	✓	A
NN Gwagwa	✓	✓	✓	A
RM Loubser	✓	✓	✓	✓
EG Matenge-Sebesho	✓	✓	✓	A
D Premnarayen	A	✓	✓	✓
BJ van der Ross	A	✓	✓	✓
JH van Greuning	✓	✓	✓	✓
MS Bomela	✓	✓	✓	✓
P Cooper	✓	✓	A	✓
L Crouse[1]	✓	✓	A	-
LL Dippenaar	✓	✓	✓	✓
JJ Durand	✓	✓	✓	✓
PK Harris	✓	✓	A	✓
F Knoetze[2]	–	–	–	A
JP Makosholo[3]	–	✓	✓	✓
AT Nzimande	✓	✓	✓	✓

A – Apologies tendered and accepted.

1. Retired with effect from 31 March 2016.

2. Appointed with effect from 1 April 2016. Committee meeting date conflicted with arrangements made prior to appointment.

3. Appointed with effect from 1 October 2015.

The committee chairman attends the annual general meeting.

Directors have full and unrestricted access to management, group information and property. They are entitled to seek independent professional advice in support of their duties at the group's expense. Directors may also meet separately with management without the attendance of executive directors.

CONFLICTS OF INTEREST

Polices are in place to manage any potential conflicts of interest. Directors sign a declaration stating that they are not aware of any undeclared conflicts of interest that may exist due to their interest in, or association with, any other company. In addition, directors disclose interests in contracts and related party transactions in order for the board to assess whether such transactions are done on arm's length, commercial terms. In such instances, directors will recuse themselves from deliberations on these matters.

All information acquired by directors in the performance of their duties, which is not disclosed publicly, is treated as confidential. Directors may not use, or appear to use, such information for personal advantage or for the advantage of third parties.

COMPANY SECRETARY

FirstRand's company secretary assists the board as a whole and directors individually with detailed guidance as to how their responsibilities should be properly discharged in the best interests of the FirstRand group and its stakeholders. Where necessary, the company secretary facilitates induction and training for directors and assists the CEO in determining the annual meeting timetable.

Ms Carnita Low (BA LLB, LLM – Tax, MBA) was appointed as FirstRand Limited's company secretary in January 2014. She is not a director of FirstRand and is also the secretary to the board committees and subsidiary boards.

An assessment of the performance of the company secretary is included in the annual director and board assessment process and, in compliance with the JSE Listings Requirements, the board is satisfied that the company secretary:

- is competent, suitably qualified and experienced;
- has the requisite skills, knowledge and experience to advise the board on good governance;
- maintains an arm's length relationship with the board and directors; and
- has discharged her responsibilities effectively for the year under review.

WR JARDINE
Chairman, directors' affairs and governance committee

7 September 2016

REMUNERATION COMMITTEE

Pat Goss
Chairman

The remuneration committee's main objective is to align the interests of group employees with those of shareholders, depositors, regulators and other stakeholders. The committee aims to ensure that pay is appropriate for the value added by each employee and is benchmarked fairly against market practices across all the different roles in the group.

2016 IN REVIEW

QUARTER ONE

- Reviewed 2015 variable pay pools, individual allocations and deferral structures
- Approved compensation packages based on group and individual performance
- Approved corporate performance targets for long-term incentives
- Approved variable pay pools, including long-term incentives

QUARTER TWO

- Reviewed remuneration governance processes, including risk and control staff
- Received reporting on developments in compensation best practices

QUARTER FOUR

- Approved compensation principles
- Approved appropriateness of separate remuneration for risk and control staff
- Received reporting from independent advisors
- Approved annual performance scorecards and key measures

GOVERNANCE AND ETHICS OF PAY

Remuneration is increasingly seen as an ethical issue. For example, the King IV code suggests that remuneration practices should be overseen by the social and ethics committee, and that the company should comment on how social responsibility is considered when assessing the gap between the company's highest- and lowest-paid earners.

FirstRand relies on the value creation of its employees to deliver on its commitments to stakeholders in a competitive market environment. The remuneration committee's main role is to align the interests of the group's employees with those of shareholders, depositors, regulators and other stakeholders. It also aims to ensure that employee compensation is appropriate for the value added by each employee and compensation is benchmarked fairly against market practices across all the different roles in the group.

SUSTAINABILITY

FirstRand's performance management framework ensures remuneration fits into to the group's strategic objectives to:

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

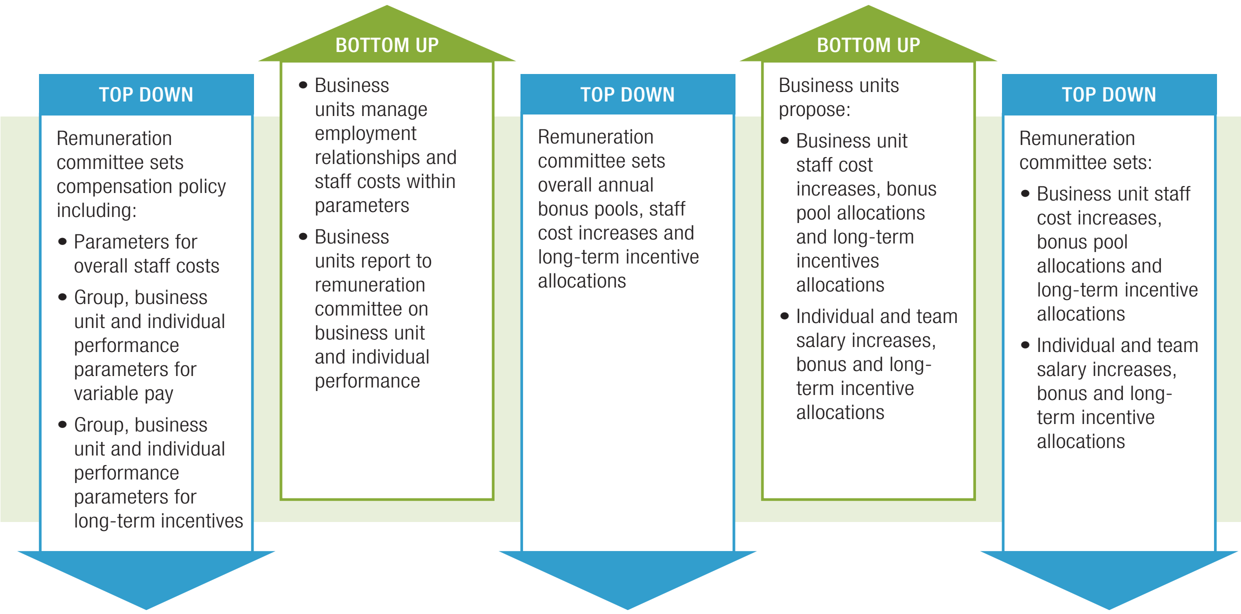
FirstRand's performance management framework requires that management produce positive net income after capital charge (NIACC) and group targets are set within the group's overall risk appetite.

Another way of looking at NIACC is the amount of earnings left after shareholders and other capital providers are compensated for their investments. Management only start to share in these earnings thereafter.

The committee believes that the amount and mix of compensation applied during the year is in line with FirstRand's core business imperative.

ANNUAL COMPENSATION PROCESS

The remuneration committee adopts a combination of top-down and bottom-up approaches to ensure that it effectively oversees the group's pay practices.



Guaranteed pay

Guaranteed pay is market related and reflects the responsibilities, skills and expertise of the individual and role. The following independent salary surveys are used to benchmark against the market:

- PwC Remchannel®;
- Mercer;
- Global Remuneration Solutions; and
- Other ad hoc salary surveys.

Performance related

Performance pay is not guaranteed and recognises individual performance and overall contribution to business unit performance. Measures include:

- return on capital;
- earnings growth and NIACC;
- performance within risk appetite;
- quality of earnings; and
- recognition for establishing a business or turning an established business around as opposed to benefiting from existing franchise value.

The size of the performance-related pay pool and its allocation in the group takes current and potential future risks into account for in-force business. These include:

- cost and amount of capital required to support risks taken;
- liquidity risk taken in the conduct of business;
- timing and certainty of calculated, but not yet earned, accounting profits included in financial reports;
- reputational and regulatory compliance;
- audit, and risk, capital management and compliance committees findings;
- quality and sustainability of earnings;
- progress on transformation; and
- culture and leadership.

LONG-TERM INCENTIVES

In order to link pay to the time horizon of risk taken on by the group, long-term incentives are dependent on certain corporate performance targets (CPTs) being met. These CPTs are measured on a cumulative basis over a three-year period.

CPTs for the group's long-term incentive schemes are clearly defined in the schedule in note 31 of the annual financial statements. These CPTs are set by the committee for each annual award and are not adjusted retrospectively. Long-term incentives do not dilute FirstRand's existing shares in the market as the group does not issue shares in order to meet its long-term incentive obligations.

The committee uses some discretion in determining the total amount of long-term incentive awards made to any employee. At 30 June 2016, no employee's participation in the group's long-term incentive schemes exceeded 2% of the total number of shares awarded.

In order for the current conditional incentive plan to vest, FirstRand must be NIACC positive at cost of equity +5% and 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.

Malus and clawback

If performance conditions are not satisfied, long-term incentive allocations are forfeited. The committee has the discretion to claw-back value received by employees in the event of misconduct.

Minimum shareholding

A minimum shareholding has been set for prescribed officers, strategic executive committee members and franchise executive committee members in order to further align their interests with those of other stakeholders. At any given point such employees must hold FirstRand shares to the value of at least 50% of their last three year's annual post-tax long-term incentives (LTI) vesting. Those who do not meet this requirement are given five years to reach the 50% minimum shareholding requirement.

INTERNAL PAY GAPS

Benchmarking of guaranteed pay across the different roles in the group has been performed in consultation with employee representatives. Outcomes-based compensation (OBC) programmes have been put in place for parts of the group requiring large volumes of clerical or procedural work. Employee development plans exist to help employees who show potential for adding more value to the group.

Pay principles for all roles include:

- guaranteed pay in line with the volume of work, the level of responsibility and individual value-add in the role; and
- OBC based on performance measured after adjusting for the amount of risk taken on and the cost of capital incurred.

DEFERRAL OF VARIABLE PAY

For senior executives and all other employees whose actions have a material impact on the risk exposure of the group, a significant amount of compensation is deferred.

2016 DEFERRAL STRUCTURE

Performance payment	Deferred conditional awards	Payment date			
		Aug 2016	Dec 2016	Jun 2017	Sep 2018
≤ R650k	No	100%	–	–	–
≤ R2 million	No	R650k + 33% of balance of cash portion	33% of balance of cash portion	33% of balance of cash portion	–
> R2 million	30% of amount above R2 million	R650k + 33% of balance of cash portion	33% of balance of cash portion	33% of balance of cash portion	Qualifying awards vest
> R2 million (all employees earning variable compensation above R6.5 million)	50% of amount above R2 million	R650k + 33% of balance of cash portion	33% of balance of cash portion	33% of balance of cash portion	Qualifying awards vest
> R2 million (FirstRand and franchise executive committee members)	50% of amount above R2 million	R650k + 33% of balance of cash portion	33% of balance of cash portion	33% of balance of cash portion	Qualifying awards vest

MATERIAL RISK TAKERS

Material risk takers are defined as employees who have influence over the risk assumed in the course of conducting business. The committee defines material risk takers and control staff as the group's executive officers as defined in the South African Banks Act and group heads of risk and control functions.

In terms of the Companies Act, no. 71 of 2008, prescribed officers are defined as employees who exercise general executive control over and management of, the whole or a significant portion of the business activities of the group. FirstRand defines its prescribed officers as the group CEO, deputy group CEO, financial director and the CEOs of the group's operating franchises (FNB, RMB and WesBank) which contribute materially to group performance. All of these officers are members of the group strategic executive committee and attend board meetings.

RISK, COMPLIANCE AND INTERNAL AUDIT STAFF

Risk and compliance employees are compensated based on the achievement of risk management objectives. Remuneration of employees in the risk and compliance functions is reviewed annually and benchmarked to ensure that it is market related and adequate to attract and retain appropriately qualified and skilled staff. The heads of group enterprise risk management and group regulatory risk management provide input into the compensation levels of risk managers across the group. A subcommittee, the risk and compliance remuneration committee, which has non-executive director representation, plays an independent oversight role of the remuneration of employees in the various risk and compliance functions at franchise level.

NON-EXECUTIVE DIRECTORS

Non-executive directors receive fees for their services as directors and for services provided as members of board committees. Non-executive directors do not participate in long-term incentive schemes. Fees paid to non-executive directors are based on current market practice. These fees are reviewed by the directors' affairs and governance committee and are approved in advance by shareholders at the annual general meeting.

PROCEEDINGS

FirstRand's remuneration committee is chaired by an independent non-executive director and is composed of non-executive directors, the majority of whom are independent. Mr Loubser and Ms Nzimande represent the risk, capital and compliance committee, and the social and ethics committee, respectively.

Executives attending committee meetings do so in an *ex officio* capacity.

Attendance at committee meetings was as follows.

	July 2015	September 2016	May 2016
PM Goss (chairman)	✓	✓	✓
VW Bartlett	✓	✓	✓
LL Dippenaar	✓	✓	✓
JJ Durand	✓	✓	✓
RM Loubser	✓	✓	✓
AT Nzimande	✓	✓	✓
BJ van der Ross	✓	✓	✓

The chairman of the remuneration committee attends the annual general meeting.

The chairman of FirstRand's risk, capital management and compliance committee has confirmed to the committee that the risk element of FirstRand's compensation policy has been properly considered to discourage inappropriately risky behaviour.

FirstRand's compensation policies for the coming financial year will be put to a shareholders' vote at the annual general meeting, details of which are provided in the notice of the annual general meeting.

PM GOSS
Chairman, remuneration committee

7 September 2016

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	FSR	Group	Total	FSR	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 USD 216 000 paid for the period to June 2015. The omitted amounts are disclosed as follows: 2009: USD 622 253; 2010: USD 120 000; 2011: USD 118 945; 2012: USD 191 682; 2013: USD 216 000 and 2014: USD 216 000.*

EXECUTIVE DIRECTORS' AND PRESCRIBED OFFICERS' EMOLUMENTS

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 vested during the year[5]					
Conditional incentive plan/conditional share 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 vested during the year[5]					
Conditional incentive plan/conditional share 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, financial director and the CEOs of the group's operating franchises (FNB, RMB and WesBank) that contribute materially to group performance. All of these officers are members of the group strategic executive committee and attend board meetings.*
2. *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 in the annual financial statements.*
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.*

EXECUTIVE DIRECTORS' AND PRESCRIBED OFFICERS' EMOLUMENTS *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 vested during the year[5]					
Conditional incentive plan/conditional share 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 vested during the year[5]					
Conditional incentive plan/conditional share plan	**9 814**	7 674			
Two-year bonus deferral	**2 786**	1 293			
Total value of shares taken up	**12 600**	8 987			

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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 vest two years after the award date. Refer to note 31 in the annual financial statements.*
5. *Value of shares taken up in prior years excludes benefits derived in terms of the share appreciation rights 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.*

EXECUTIVE DIRECTORS' AND PRESCRIBED OFFICERS' EMOLUMENTS *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 vested during the year[5]					
Conditional incentive plan/conditional share 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 vested during the year[5]					
Conditional incentive plan/conditional share plan	**13 057**	3 611			
Two-year bonus deferral	**2 566**	1 431			
Total value of shares taken up	**15 623**	5 042			

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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 vest two years after the award date. Refer to note 31 in the annual financial statements.*
5. *Value of shares taken up in prior years excludes benefits derived in terms of the share appreciation rights 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.*

EXECUTIVE DIRECTORS' AND PRESCRIBED OFFICERS' EMOLUMENTS *continued*

R thousand	2016	2015	2014	2013	2012
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 vested during the year[5]					
Conditional incentive plan/conditional share plan	**6 846**	8 125			
Two-year bonus deferral	**2 273**	1 879			
Total value of shares taken up	**9 119**	10 004			

1. *FirstRand defines its prescribed officers as the group CEO, deputy group CEO, financial director and the CEOs of the group's operating franchises (FNB, RMB and WesBank) that contribute materially to group performance. All of these officers are members of the group strategic executive committee and attend board meetings.*
2. *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 vest two years after the award date. Refer to note 31 in the annual financial statements.*
5. *Value of shares taken up in prior years excludes benefit 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 5 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 10 year BEE schemes.*
6. *Prescribed officer appointed 1 October 2013. Emoluments include earnings in prior role from 1 July 2013 to 30 September 2013.*

Benefits derived by executive directors in terms of the long-term incentive schemes are disclosed on pages 100 to 104.

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 92.

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

Co-investment scheme

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

R thousand	2016	2015
JP Burger	**2 101**	5 387
J Formby	**4 071**	–
SE Nxasana	**172**	1 064
AP Pullinger	**2 305**	6 384

Benefits derived during the financial year ended 30 June 2015 in respect of the group's ten-year BEE schemes

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

DEFINITIONS FOR REMUNERATION HEALTH CHECK PEER GROUP DISCLOSURES

1. *Peer group includes big four South African universal banks. ROE for FirstRand is as disclosed at 24% for the year to 30 June 2016. For the remainder of the peer group (big four excluding FirstRand's contribution) it is the weighted average as at 31 December 2015 in line with these banks' financial year ends.*
2. *NIACC % of total is calculated using each bank's own cost of equity as disclosed as well as earnings and NAV for respective year ends. For FirstRand this includes the five years from 30 June 2012 to 30 June 2016. For the rest of the peer group, this includes is the five years from 31 December 2011 to 31 December 2015.*
3. *For FirstRand earnings CAGR includes the five years from 30 June 2012 to 30 June 2016. For the rest of the peer group this includes the five year weighted average across the peer group (excluding FirstRand) from 31 December 2011 to 31 December 2015.*

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

Definitions

CIP – conditional incentive plan

Bonus Deferral CIP – bonus deferral conditional incentive plan

* *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 (bonus deferral CIP allocation made in September 2013)	2013 (CIP allocation made in September 2012)	2013 (CIP allocation made in June 2013)
CIP	Special CIP	Bonus deferral	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

PRESCRIBED OFFICERS' OUTSTANDING LONG-TERM INCENTIVES *continued*

	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

Definitions

CIP – conditional incentive plan

Bonus Deferral CIP – bonus deferral conditional incentive plan

* *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 directors' and prescribed officers' emoluments.*

Outstanding long-term incentives		Vested long-term incentives*		
2014 (CIP allocation made in September 2013)		2014 (bonus deferral CIP allocation made in September 2013)	2013 (CIP allocation made in September 2012)	2013 (CIP allocation made in June 2013)
CIP	Special CIP	Bonus deferral	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	

AGGREGATE COMPENSATION DISCLOSURES

R million	2016
Employees receiving variable awards (number of employees)	
Employees receiving variable compensation	**21 319**
Employees receiving union-agreed variable compensation[1]	**16 669**
Total variable awards	**37 988**
Employees receiving sign-on and severance (number of employees)	
Sign on awards granted	**94**
Severance awards	**520**
Total sign on and severance awards	**614**
Sign on and severance (R million)	
Value of sign on awards granted	**17**
Value of severance awards	**102**
Total value of sign on and severance awards	**119**
Portion of 2016 compensation not deferred (R million)	
Guaranteed compensation	**14 333**
Union agreed variable compensation[1]	**241**
Variable compensation[2]	**3 159**
Vested share-based long-term incentives (LTIs) exercised and paid[3]	**1 819**
Total value of not deferred compensation	**19 552**
Portion of 2016 compensation deferred (R million)	
2nd and 3rd cash tranches of variable compensation[5]	**791**
Portion of 2016 variable compensation deferred in shares[5]	**344**
Total value of deferred compensation	**1 135**
Cumulative outstanding deferred compensation at 30 June 2014 and 2015[4,7] (R million)	
2016 share-based LTI award	**1 520**
2nd and 3rd cash tranches of variable compensation	**791**
Portion of variable compensation deferred (cumulative 2015 and 2016)	**385**
Share-linked LTI awards (cumulative 2013, 2014 and 2015)	**2 098**
Total cumulative outstanding deferred compensation	**4 794**
Total deferred compensation clawed back (R million)	**–**

1. *Guaranteed bonuses paid to non-managerial employees in the form of 13th cheques in terms of the group's annual union negotiations.*
2. *Includes tranche 1 of cash-settled variable compensation.*
3. *LTIs are share-based incentives that only become exercisable to clearly defined vesting criteria.*
4. *All deferred compensation is subject to clearly defined performance criteria to ensure alignment of employee remuneration with company performance.*
5. *Portion of cash bonus deferred to 2nd and 3rd tranche payments in December and June respectively of the proceeding financial year.*
6. *Cash portion of variable compensation deferred in FirstRand shares and subject to vesting criteria.*
7. *The values disclosed for LTIs have been determined on pro rata vesting basis assuming that the conditions precedent have been met. These incentives are however still subject to individual, business unit and corporate performance criteria before becoming exercisable.*

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

- Evaluated the performance and effectiveness of the external auditors and recommended the 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 of FirstRand, in terms of Regulation 40(4) of the Banks Act regulations

QUARTER TWO

- Considered the external audit report on regulatory audit
- Considered feedback from the external auditors on their SARB bilateral meeting
- Conducted financial trend 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

QUARTER THREE

- 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
- Reviewed and approved audit committee charter
- Reviewed and approved internal audit charter
- Discussion on trilateral feedback with the SARB

QUARTER FOUR

- 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 reports for 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 chairpersons' reports
proposed future legislation or changes to accounting standards/tax laws or other regulations

EXTERNAL AUDITOR APPOINTMENT AND INDEPENDENCE

The 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 auditors 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 partners were independent of the group, as set out in section 94(8) of the Companies Act.

This included consideration of:

- representations made by the external auditors to the audit committee;
- independence criteria specified by the Independent Regulatory Board for Auditors and international regulatory bodies as well as criteria 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 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 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 meetings, corroborated by the review of 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 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
- the experience, expertise and continuous professional development of 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: five 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.

	Appointed	August 2015	November 2015	November 2015 (Trilateral)	February 2016	May 2016
JH van Greuning (chairman)	September 2009	✓	✓	✓	✓	✓
VW Bartlett	February 2009	A	✓	✓	✓	✓
L Crouse[1]	July 2010	✓	✓	✓	✓	–
GG Gelink	January 2010	✓	✓	✓	✓	✓
RM Loubser	September 2014	✓	✓	✓	✓	✓
PJ Makosholo	March 2016	–	–	–	–	✓
EG Matenge-Sebesho	July 2010	✓	✓	✓	✓	✓

A – Apology tendered and accepted.

1. Retired from the board with effect from 31 March 2016. He will, however, continue as a specialist consultant (non-member) to the audit committee.

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

JH VAN GREUNING
Chairman, audit committee

7 September 2016

RISK, CAPITAL MANAGEMENT AND COMPLIANCE COMMITTEE

Russell Loubser
Chairman

It is the task of the risk, capital management and compliance (RCC) committee to oversee the group's risk governance structures and processes in a manner that enables sustainable value creation for stakeholders in an increasingly complex operating environment.

2016 IN REVIEW

QUARTER ONE

- Recommendations from the regulatory risk management committee on proposed committee structure changes for more effective governance of regulatory risk
- Review of operational risk appetite parameters and governance methodology as recommended by the operational risk committee
- Update on franchise IT risk profile and group IT governance by chief information officers

QUARTER TWO

- Reviewed and approved changes to board limits and risk appetite
- Assumptions underlying the group's internal capital adequacy and assessment process (ICAAP) and stress testing process including a review of management plans to address additional risks arising from the risk scenarios
- Review and approval of the group recovery plan as recommended by the asset, liability and capital committee
- Review and approval of board risk assessment
- Membership of the RCC committee subcommittees to ensure that there is adequate knowledge, skills and experience for effective risk management

QUARTER THREE

- Reports from management on the impact of the weaker oil and gas commodity prices on the balance sheet
- Presentations by management as mandated by subcommittees for the escalation of the review of market risk and foreign exchange stress funding limits on the back of capital market developments
- Feedback to the committee on the SARB bilateral meetings held, including discussions on how the group manages the liquidity coverage ratio (LCR)

QUARTER FOUR

- Annual group insurance renewal programme to ensure adequate cover for FirstRand
- Liaison with the audit committee to identify common themes and exchange information to enhance audit and risk management oversight practices and processes
- LCR limit review as recommended by the asset, liability and capital committee
- Independent assessment of current and future risks including communication of the outcomes and concerns to management and the board for consideration in strategic planning and risk management processes

AT EVERY MEETING

- Global and local macroeconomic developments and how these are expected to impact the different portfolios in the group
- Overview by the group CRO and portfolio risk heads on developments in the different risk types
- Presentations by franchise CROs giving detail and insight on specific risk areas
- Approval of risk management models used across different risk types
- Review and approval of governance frameworks, charters and mandates

The committee ensures that effective policies and plans for risk management are implemented and that appropriate risk disclosures are communicated timeously and in sufficient detail to the group's stakeholders.

The RCC committee's responsibilities are to:

- approve risk management policies, frameworks, strategies and processes;
- monitor containment of risk exposures within the risk appetite framework;
- report assessment of the adequacy and effectiveness of the risk appetite, risk management, ICAAP and compliance processes to the board;
- monitor the implementation of the risk management strategy, risk appetite limits, and the effectiveness of risk management;
- initiate and monitors corrective action, where appropriate;
- monitor that the group takes appropriate action to manage its regulatory and supervisory risks and complies with applicable laws, rules, codes and standards;
- approve regulatory capital models, risk and capital targets, limits and thresholds; and
- monitor capital adequacy and ensure that a sound capital management process exists.

A detailed discussion of specific risk management actions undertaken during the year in response to developments in the group's evolving risk management environment is provided in the Basel Pillar 3 disclosure, which is available on the group's website, www.firstrand.co.za

PROCEEDINGS AND PERFORMANCE REVIEW

The committee is composed exclusively of non-executive directors and independent specialist advisors with the majority being independent non-executive directors. Attendees to the meetings in an *ex officio* capacity include:

- group CEO;
- deputy group CEO;
- financial director;
- group and franchise CROs;
- chief audit executive;
- group portfolio risk heads;
- head of regulatory risk management, and
- external auditors.

Attendance at the meetings held during the year was as follows.

	August 2015	November 2015	February 2016	May 2016
RM Loubser – chairman	A	✓	✓	✓
JJH Bester	✓	✓	✓	✓
MS Bomela	✓	✓	✓	✓
L Crouse	✓	✓	✓	✓
GG Gelink	A	✓	✓	✓
Z Roscherr (specialist consultant)	✓	✓	✓	✓
JH van Greuning	✓	✓	✓	✓

A – Apologies tendered and accepted

The committee is satisfied that the group has adequate resources, systems, skills and remuneration practices to facilitate the ongoing effectiveness of the risk, capital management and compliance functions.

R LOUBSER
Chairman, risk, capital management and compliance committee

7 September 2016

SOCIAL AND ETHICS COMMITTEE

Hennie van Greuning
Chairman

As a financial services provider, FirstRand is a trust business. The ability to manage culture and conduct risk effectively and intelligently is not only a source of sound risk management, but fundamentally, a source of competitive advantage.

2016 IN REVIEW

QUARTER ONE

- Reviewed the outcomes of several culture risk assessments with specific focus on the international portfolio
- Considered the group's environmental, social and governance disclosures, including those relating to the Equator Principles and carbon emissions

QUARTER TWO

- Reviewed market conduct maturity and associated platform developments
- Reviewed culture and conduct risk in specialised areas

QUARTER THREE

- Considered the group's approach to its social value proposition
- Focused on emerging culture risks, specifically appropriate responses to the rising regulatory burden and its impact on the owner-manager culture of the group

QUARTER FOUR

- Oversaw reputational risk management processes
- Oversaw implementation of the business conduct programme with a focus on emerging business in the rest of Africa

AT EVERY MEETING

- Received reports from the group ethics and conduct risk officer, as well as from franchise representatives, on the following
  - culture risk assessment results and progress on corrective actions
  - business conduct review on whistle-blowing, declarations of interest, anti-bribery and corruption, and client desirability assessments and associated actions
  - market conduct review on responsible competitive practices, retail market conduct (treating customers fairly), wholesale market conduct and conduct in global markets
  - environmental and social conduct review on environmental and social risk analysis, the group's ecological footprint and positive impact banking
  - significant platform implications and salient monitoring of findings for conduct risk programmes evaluated

The role of the social and ethics committee is to assist the board with ensuring responsible business practices within the FirstRand group and monitor group activities in line with section 72 of the Companies Act, No. 71 of 2008, the committee terms of reference and other legal requirements or prevailing codes of best practice in respect of social and economic development. It is charged with providing oversight of all culture and conduct risk programmes in all businesses of the FirstRand group.

GOVERNANCE MODEL

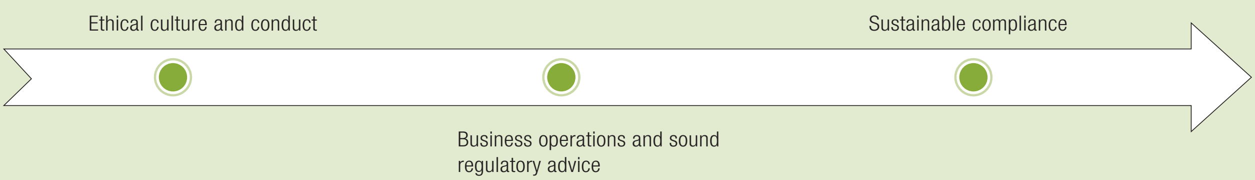
The committee is supported by three types of management structures tasked to oversee and drive business adoption of culture and conduct risk objectives. Work forums (in larger franchises) bring together product houses, sales channels and the risk community to ensure proper coordination and enactment of culture and conduct objectives. These are multi-business operational forums with decision-making mandates and are chaired by business executives.

Franchise conduct executive committees set strategy covering the respective culture and conduct themes, and oversee the work of the forums. These are either chaired by the franchise CEO or the group ethics and conduct risk officer. An important development has been the creation of the FirstRand conduct executive committee at FirstRand level, which is chaired by the group deputy CEO.

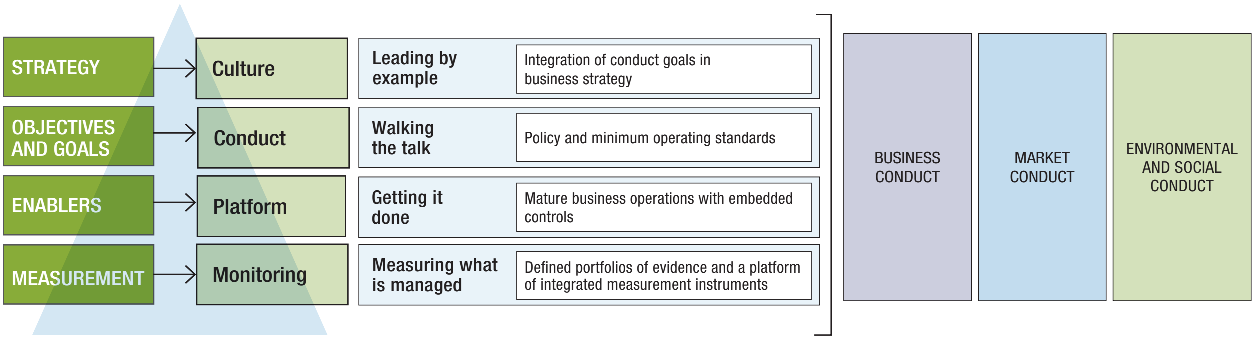
SOCIAL AND ETHICS OVERSIGHT FRAMEWORK AND MANAGEMENT MODEL

Philosophical starting point

Compliance is pursued as an outcome of “doing the right thing”. The aim is to drive integration of regulatory requirements and expectations into business processes (keeping in mind good market conduct outcomes).



The social and ethics committee oversees the promotion of responsible business practices based on performance in the following key areas: culture, conduct, platforms and monitoring. Group values, embodied in corporate culture, are translated into conduct policy. Such policies set behavioural standards for employees and are intended to inform minimum operating standards for key bank systems.



PROGRAMMES UNDER REVIEW

Culture is a strategic priority

The committee endorses a risk philosophy based on the primacy of ethical and competent leadership. Senior management in the group, on behalf of the board, is responsible for leading by example and is tasked with integrating conduct risk objectives into respective business strategies.

Culture risk assessment

The approach to culture risk management combines two disciplines that are usually separately practiced: organisation design and risk management. Emphasis is placed on accurate assessment of culture risk, and the formulation and enactment of effective corrective actions.

Culture risk assessment focuses on three elements – leadership, flow of information and attitude towards customers.

LEADERSHIP	FLOW OF INFORMATION	CUSTOMERS
Ethical and competent leadership	Accurate and timely flow of information with appropriate disclosure	Ethical treatment of clients and attracting ethical clients

CONDUCT PROGRAMMES

The FirstRand code of ethics has elements of the FirstRand philosophy built into it and is the primary reference point for all conduct programmes.

The programmes overseen during the year are organised according to three themes – business conduct, market conduct and the environment.

FirstRand code of ethics		
Business conduct programmes	**Market conduct programmes**	**Environmental conduct programmes**
- conflicts of interest management - safe whistle-blowing - personal account trading - anti-bribery and corruption prevention - client desirability/reputation risk	- retail market conduct (treating customers fairly) - ethical trading in financial markets - responsible wholesale banking - responsible competitive practices (anti-trust)	- environmental and social risk analysis - environmental footprint reduction (electricity, waste and water) - green-financing and positive impact banking

Business conduct programmes

The committee oversaw several business conduct programmes:

- **The declaration of interest** process was made paperless enabling employees to making quick and convenient declarations of gifts and ownership interests. The programme is well entrenched in the group.
- **Encouraging safe and effective whistle-blowing** continued throughout the year. Significant time has been spent in raising levels of awareness across all jurisdictions within the group. Use of the facility has increased substantially over the reporting period. The facility is managed independently by Deloitte on behalf of the group.
- **Leading Light** is the reward programme that incentivises and rewards employees who demonstrate vigilance in assisting the group to detect and prevent theft, fraud and corruption. Approximately R3 million was awarded during the year to whistle-blowers and innovators. Significant work has been completed to integrate Leading Light with franchise innovation programmes.
- **The group personal account trading programme** continues to mature with the personal account trading policy and associated control room being reviewed, further resourced and improved.
- **Emphasis on the group anti-bribery policy** has increased during the reporting period. Group-wide anti-bribery training has been conducted.
- **The group continues to evaluate clients** based on legal/regulatory risk, sensitive industries/countries and reputational risk.

Market conduct of employees

In addition to business conduct programmes, the committee oversaw several market conduct programmes:

- **Responsible competitive practice** training was heightened with high risk employees receiving dedicated training on responsible competitive practices.
- **An ethical trading in financial markets policy** has been entrenched in the reporting period with improved trade activity monitoring.
- **The FirstRand responsible wholesale banking policy** is a new policy developed as a subpolicy of the FirstRand code of ethics. It highlights behavioural principles and standards applicable to relevant employees.
- **Treating customers fairly**, the group's retail market conduct programme, has gained momentum. The programme incorporates FAIS and National Credit Act considerations under one holistic retail market conduct programme.

Environmental conduct programme

Environmental and social conduct risk

The committee oversaw several environmental and social risk conduct programmes:

- **Equator Principles and ESRA (environmental and social risk assessment) –** during the year significant progress has been made to embed ESRA in the rest of Africa. Ashburton Investments formally signed the United Nations Principles for Responsible Investment (UNPRI) in December 2015 and acquired Atlantic Asset Management, a long-standing signatory to the UNPRI.
- **Ecological footprint –** the FirstRand group energy management guideline was presented for approval at the FirstRand property committee and noted at the social and ethics committee.
- **Positive impact banking –** FirstRand possesses industry-recognised ESRA and eco-footprint programmes. These programmes allow the group to satisfy development finance covenants for general and specific capital funding with a green and socially responsible theme. A dedicated work forum was created and met during the year to identify opportunities to further leverage this capability.

Ecological footprint

Carbon consumption is calculated per franchise and reported internally to the franchise conduct executive committees, as well as externally by way of the Carbon Disclosure Project. FirstRand has an agreed scope 1 and scope 2 carbon emission reduction target of 20% by 2020, from a 2015 financial year base line.

The group's carbon footprint reduced by 11% compared to the prior year. Electricity is approximately 88% of the group's carbon footprint.

CARBON EMISSIONS

(Metric tonnes of CO_2 equivalents)	2016	2015	change
Scope 1 emissions			
Fuel use in generators	**157**	997	(84)
Business fleet travel	**7 098**	7 479	(5)
Refrigerants	**2 566**	1 844	39
Scope 2 emissions			
Electricity	**246 329**	268 557	(8)
Scope 3 emissions			
Paper use	**2 470**	2 336	6
Business road travel	**5 627**	11 287	(50)
Business air travel	**12 873**	12 627	2
Fuel well to tank emissions	**1 439**	1 743	(17)
Electricity transmission losses	**2 439**	9 857	(75)
Total carbon emissions South African operations*	**280 998**	316 727	(11)
Total carbon emissions international operations**	**17 696**	14 746	20
Total carbon emissions FRIHL#	**12 235**	14 745	(17)

* *External limited assurance provided on total carbon emissions of South African operations. Prior year restated to include additional operations.*

** *Emissions from international operations include FNB's operations in Africa as well as international branches and representative offices.*

Emissions accounted for in FRIHL are for entities with a shareholding of 50% or more.

PROCEEDINGS AND PERFORMANCE REVIEW

The committee is constituted as a subcommittee of FirstRand's directors' affairs and governance committee in accordance with the statutory requirements set out in section 72 and regulation 43 of the Companies Act, No. 71 of 2008. The committee is constituted exclusively of non-executive directors, two of whom are independent. The CEO, deputy CEO and financial director attend meetings in an *ex officio* capacity. The group ethics and conduct risk officer is a permanent special advisor to the committee and is responsible for the preparations of the committee. The group heads of human capital, organisational development, risk, and compliance, as well as chief risk officers of the group's franchises are standing invitees in an *ex officio* capacity.

The committee chairman is available to report to shareholders at the annual general meeting on matters within its mandate.

Attendance at meetings during the year was as follows.

	August 2015	November 2015	February 2016	May 2016
JH van Greuning (chairman)	✓	✓	✓	✓
MS Bomela	A	✓	✓	✓
NN Gwagwa	✓	✓	✓	✓
BJ van der Ross	✓	✓	✓	✓

A – Apology tendered and accepted.

The committee conducted an effectiveness assessment and is satisfied that it fulfilled the requirements of its charter.

JH VAN GREUNING
Chairman, social and ethics committee

7 September 2016

INDEPENDENT ASSURANCE REPORT ON SELECTED NON-FINANCIAL INFORMATION TO THE DIRECTORS OF FIRSTRAND LIMITED

We have undertaken an assurance engagement on selected non-financial information, as presented in the FirstRand Limited group integrated report for the year ended 30 June 2016.

FirstRand applies its own sustainability performance reporting criteria, derived from the Sustainability Reporting Guidelines of the Global Reporting Initiative (G3), the JSE SRI index, BEE transformation reporting requirements and the King III Code on Corporate Governance.

DIRECTORS' RESPONSIBILITY

The directors are responsible for:

- the selection, preparation and presentation of the sustainability information included in the integrated report;
- the identification of stakeholders and stakeholder requirements; and
- establishing and maintaining appropriate performance management and internal control systems from which the reported information is derived and reported in FirstRand's integrated report.

INTERNAL AUDIT RESPONSIBILITY

Internal Audit's responsibility is to express assurance conclusions on the selected non-financial information based on the procedures performed. We have conducted our engagement by applying guidance from the International Standard on Assurance Engagements, ISAE 3000: *Assurance Engagements other than Audits or Reviews of Historical Financial Information*. The standard requires that we plan and perform our engagement to obtain limited assurance about whether the selected sustainability information is free from material misstatement.

Our procedures selected depend on our judgment including the risks of material misstatement of the selected sustainability information. In making our risk assessments, we considered internal controls relevant to FirstRand's preparation of the report. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our assurance conclusions.

Group Internal Audit was not responsible for preparing any part of the report and confirms that we are not aware of any issue that could impair our objectivity in relation to this assurance engagement.

Multiple sources of sustainability assurance providers were utilised, reflecting technical and process competencies necessary for the evaluation of the sustainability information. The following items were included in the scope:

- Verification and review of the accurate transfer and aggregation of information from the franchise records to the FirstRand Limited integrated report relating to:
  - workforce profile;
  - funding of affordable housing and energy infrastructure; and
  - ethics line calls.
- Assurance work performed by Group Internal Audit did not replicate verification assessments performed by the external assurance service providers (Deloitte, KPMG & SizweNtsaluba VSP) and reliance was placed on the assurance opinion issued by the other parties where warranted. These are reflected below:
  - Financial inclusion, BEE scorecard and BEE procurement spend. This information is included in the scope of the review of the dti scorecard that was performed by SizweNtsaluba VSP.
  - Direct environmental footprint: This information is included in the scope of the review of the FirstRand Bank Limited carbon data for the South African operations, prepared in accordance with the World Business Council for Sustainable Development (WBCSD)/World Resources Institute (WRI) Greenhouse Gas Reporting Guidelines which is audited by KPMG.
  - Review of the accuracy, validity and completeness of the CSI spend information with reference to the reports provided by Tshikululu Social Investments NPC which is reviewed by Deloitte.

Based on the results of the work performed on the selected non-financial information as presented in FirstRand's integrated report for the year ended 30 June 2016, Group Internal Audit confirms that:

Nothing has come to our attention that causes us to believe that the identified sustainability information selected for our review has not been prepared, in all material respects, in accordance with the defined reporting criteria.

The following areas of improvement were noted and are receiving management's attention:

- Management assurance has been provided regarding the CSI reports provided by Tshikululu Social Investments. However, Group Internal Audit had previously noted that management had not been able to obtain independent assurance regarding certain information reported on the CSI reports. As part of the combined assurance initiatives that are being implemented, management is working towards obtaining independent assurance on certain information on the CSI reports.
- The level of data accuracy in the report content was found to be within satisfactory levels. Statements included in the report that required improvement were identified and all suggested changes and identified anomalies were corrected prior to the finalisation of the report. Additional improvements were recommended for further enhancement of sustainability management and reporting within the group.

J JOHN
Chief audit executive

7 September 2016

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

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

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

The group is exposed to a number of risks 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			Foreign exchange risk
	Operational risk				
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

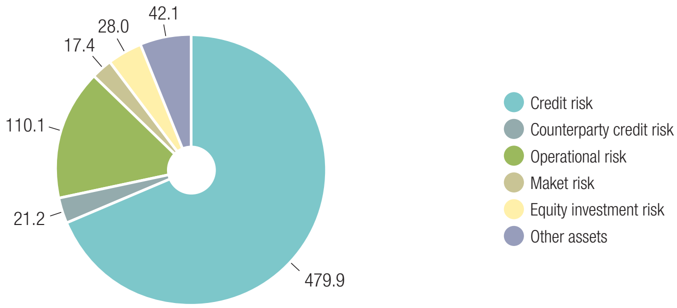
Equity investment risk exposure as % of Tier 1
10.5% 2015: 12.2%

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

	EARNINGS GROWTH, RETURN AND VOLATILITY TARGETS	MINIMUM CAPITAL AND LEVERAGE RATIO TARGETS	MINIMUM LIQUIDITY TARGETS AND TARGETED CREDIT RATING
Normal business cycles	**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 135.

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

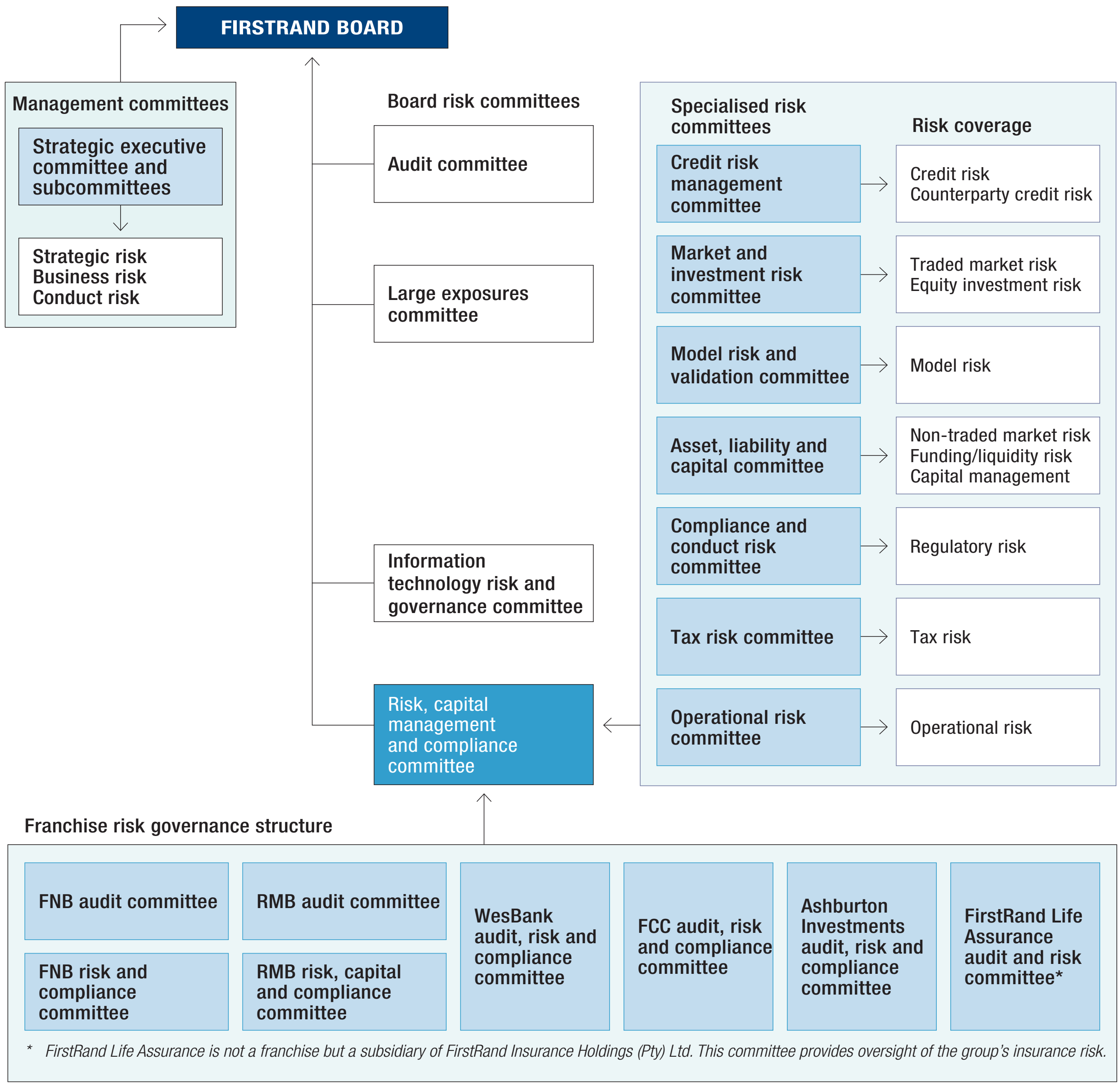
External advisors

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

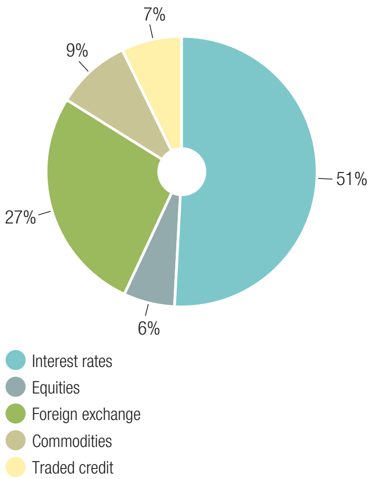
The group distinguishes between **market risk in the trading book** and **non-traded market risk**. For non-traded market risk, the group distinguishes between **interest rate risk in the banking book** and **structural foreign exchange risk**.

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.

FirstRand group summarised consolidated financial statements

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FIRSTRAND GROUP SUMMARISED CONSOLIDATED FINANCIAL STATEMENTS

DIRECTORS' RESPONSIBILITY STATEMENT

for the year ended 30 June 2016

These summarised consolidated financial statements comprise a summary of the audited consolidated financial statements of the group for the year ended 30 June 2016 and have been audited by the group's external auditors, PricewaterhouseCoopers Inc. and Deloitte & Touche. Their opinion on these summarised consolidated financial statements appears on page 164.

The summarised consolidated financial statements are not the group's statutory financial statements and do not contain all the disclosures required by IFRS. Reading the summarised consolidated financial statements is not a substitute for reading the audited consolidated financial statements of the group, as they do not contain sufficient information to allow for a complete understanding of the results and state of affairs of the group. The consolidated financial statements have been audited by the group's external auditors. Their unmodified report is available for inspection at the group's registered office.

The audited consolidated financial statements are available online at www.firstrand.co.za , or may be obtained from the company secretary.

BASIS OF PRESENTATION

FirstRand prepares its summarised consolidated financial statements in accordance with the requirements of the JSE Limited as set out in the Guidance Letter: Summary Financial Statements (25 July 2011) which requires the summarised consolidated financial statements to be prepared in accordance with:

- The framework concepts and the recognition and measurement requirements of IFRS, and also, at a minimum contain the information required by *IAS 34 Interim Financial Reporting*;
- The SAICA Financial Reporting Guides as issued by the Accounting Practices Committee;
- The Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council; and
- The requirements of the Companies Act, no. 71 of 2008, as amended, applicable to summarised financial statements.

The consolidated financial statements, from which the summarised consolidated financial statements are extracted, are:

- Prepared by applying accounting policies that are in accordance with IFRS;
- In accordance with the going concern principle;
- Using the historical cost basis as modified by fair value accounting of certain assets and liabilities where required or permitted by IFRS; and
- Presented in South African rand, which is the group's presentation currency.

There have been no changes to the group's accounting policies or methods of computation in the current year.

The group did however early adopt the amendments to *IAS 1 Presentation of Financial Statements* pertaining to the application of materiality to all aspects of financial reporting, including disclosure. As a result of the adoption of the amendment the group has made a number of changes to the presentation and disclosure in the consolidated financial statements.

The board acknowledges its responsibility to ensure the integrity of the summarised consolidated financial statements. The board has applied its mind to the summarised consolidated financial statements and believes that this document addresses all material issues and fairly presents the group's integrated performance and impacts. The Integrated Report is prepared in line with King III.

The consolidated financial statements from which these summarised consolidated financial statements are extracted were prepared under the supervision of Jaco van Wyk, CA(SA), and approved by the board of directors on 7 September 2016 and signed on its behalf by:

LL Dippenaar

LL DIPPENAAR
Chairman

JP BURGER
CEO

3 October 2016

INDEPENDENT AUDITOR'S REPORT ON SUMMARISED FINANCIAL STATEMENTS

TO THE SHAREHOLDERS OF FIRSTRAND LIMITED

The accompanying summarised consolidated financial statements, set out on pages 169 to 209 which comprise the summarised consolidated statement of financial position as at 30 June 2016, the summarised consolidated income statement, the summarised consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, and related notes, are derived from the audited consolidated financial statements of FirstRand Limited for the year ended 30 June 2016. We expressed an unmodified audit opinion on those consolidated financial statements in our report dated 7 September 2016. Our auditor's report on the audited consolidated financial statements contained an other matter paragraph, "other reports required by the Companies Act", (refer below). Those consolidated financial statements and the summarised consolidated financial statements do not reflect the effects of events that occurred subsequent to the date of our report on those consolidated financial statements.

The summarised consolidated financial statements do not contain all the disclosures required by the International Financial Reporting Standards and the requirements of the Companies Act of South Africa as applicable to financial statements. Reading the summarised consolidated financial statements, therefore, is not a substitute for reading the audited consolidated financial statements of FirstRand Limited.

Directors' responsibility for the summarised consolidated financial statements

The directors are responsible for the preparation of the summarised consolidated financial statements in accordance with the requirements of the JSE Limited as set out in the Guidance Letter: Summary of Financial Statements (25 July 2011), set out in the basis of presentation to the summarised consolidated financial statements, and the requirements of the Companies Act of South Africa as applicable to summarised financial statements, and for such internal control as the directors determine is necessary to enable the preparation of the summarised consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on the summarised consolidated financial statements based on our procedures, which were conducted in accordance with International Standard on Auditing *(ISA) 810, Engagements to Report on Summary Financial Statements*.

Opinion

In our opinion, the summarised consolidated financial statements derived from the audited consolidated financial statements of FirstRand Limited for the year ended 30 June 2016 are consistent, in all material respects, with those consolidated financial statements, in accordance with the requirements of the JSE Limited as set out in the Guidance Letter: Summary of Financial Statements (25 July 2011), set out in the basis of presentation to the summarised consolidated financial statements, and the requirements of the Companies Act of South Africa as applicable to summarised financial statements.

Other reports required by the Companies Act

The "other reports required by the Companies Act" paragraph in our audit report dated 7 September 2016 states that as part of our audit of the consolidated financial statements for the year ended 30 June 2016, we have read the directors' report, the audit committee's report and the company secretary's certificate for the purpose of identifying whether there are material inconsistencies between these reports and the audited consolidated financial statements. These reports are the responsibility of the respective preparers. The paragraph also states that, based on reading these reports, we have not identified material inconsistencies between these reports and the audited consolidated financial statements. The paragraph furthermore states that we have not audited these reports and accordingly do not express an opinion on these reports. The paragraph does not have an effect on the summarised consolidated financial statements or our opinion thereon.

DELOITTE & TOUCHE
Per partner: Darren Shipp
Registered Auditors
Johannesburg

PRICEWATERHOUSECOOPERS INC.
Director: Francois Prinsloo
Registered Auditors
Johannesburg

3 October 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 page 64 for a simplified group structure.

INTEGRATED REPORT

The board acknowledges its responsibility for the integrity of this integrated report. Guidelines as provided by King III have been adopted in preparation of this integrated report. The board believes that this report fairly represents the performance 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 final 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 3 to the group's summarised financial statements in the annual integrated report.

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 on page 217.

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 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 Holdings 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 on pages 77 to 83.

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		**Effective date**
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/retirements		**Effective date**
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
B van der Ross	463	–	–	**463**	0.01	463
Total	16 016	10 292	136 483	**162 791**	2.88	168 529

* *Resigned 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
CEO

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

3 October 2016

SUMMARISED CONSOLIDATED INCOME STATEMENT

for the year ended 30 June

R million	Notes	2016	2015
Interest and similar income		**71 561**	58 960
Interest expense and similar charges		**(29 520)**	(23 339)
Net interest income before impairment of advances		**42 041**	35 621
Impairment of advances	2	**(6 902)**	(5 150)
Net interest income after impairment of advances		**35 139**	30 471
Non-interest revenue		**36 677**	37 421
Income from operations		**71 816**	67 892
Operating expenses		**(41 657)**	(38 692)
Net income from operations		**30 159**	29 200
Share of profit of associates after tax		**930**	1 085
Share of profit of joint ventures after tax		**526**	454
Income before tax		**31 615**	30 739
Indirect tax		**(928)**	(884)
Profit before tax		**30 687**	29 855
Income tax expense		**(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		**402.4**	390.1
Diluted		**402.4**	390.1

SUMMARISED 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

SUMMARISED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 30 June

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

SUMMARISED CONSOLIDATED 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**	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 the issue of share capital	3	–	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	3	–	–	**–**	–	–
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

SUMMARISED CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 30 June

R million	**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	**(187)**	(141)
Proceeds on disposal of investments in associates	**1 932**	1 326
Acquisition of investments in joint ventures	**–**	(16)
Acquisition of investments in subsidiaries	**(1 071)**	–
Proceeds on disposal of investments in subsidiaries	**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 share 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	**64 303**	65 567

SUMMARISED CONSOLIDATED STATEMENT OF HEADLINE EARNINGS AND DIVIDENDS PER SHARE

for the year ended 30 June

	Earnings attributable R million		Cents per share	
	2016	2015	**2016**	2015
Headline earnings				
– Basic	**22 387**	21 141	**399.2**	381.4
– Diluted	**22 387**	21 141	**399.2**	381.4
Earnings attributable to ordinary equityholders				
– Basic	**22 563**	21 623	**402.4**	390.1
– Diluted	**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

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.

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

SELECTED NOTES TO THE SUMMARISED CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 June

1. 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	2	**(13 018)**	(11 230)
Net advances		**808 699**	751 366

1. 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).

1. 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.

			Carrying value of assets R million		Carrying value of liabilities R million	
Name of securitisation	Established	Initial transaction value	**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	GBP 326 million	**–**	890	**–**	851
Turbo Finance 4	November 2013	GBP 374 million	**2 499**	5 595	**2 496**	5 571
Turbo Finance 5	September 2014	GBP 420 million	**5 980**	9 075	**6 014**	9 041
Turbo Finance 6	February 2016	GBP 392 million	**8 729**	–	**8 695**	–
MotoHouse	August 2015	GBP 295 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.

2. IMPAIRMENT OF ADVANCES

	FNB		RMB	
R million	Retail	Commercial	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)**

3. SHARE CAPITAL AND SHARE PREMIUM

Share capital and share premium classified as equity

Authorised shares	**2016**	2015
Ordinary shares	**6 001 688 450**	6 001 688 450
A preference shares – unlisted variable rate convertible cumulative 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

	2016			2015		
Issued shares	**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.

4. 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 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.

4. CONTINGENCIES AND COMMITMENTS *continued*

4.1 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

4. CONTINGENCIES AND COMMITMENTS *continued*

4.2 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

5. FAIR VALUE MEASUREMENTS

5.1 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.

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 Non-current Assets Held for Sale and Discontinued Operations* where the recoverable amount is based on the fair value less costs to sell;
- *IFRS 3 Business Combinations* where assets and liabilities are measured at fair value at acquisition date; and
- *IAS 36 Impairment of Assets* 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.

5. FAIR VALUE MEASUREMENTS *continued*

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 5.4, for all other financial instruments at amortised cost the carrying value is equal to or a reasonable approximation of the fair value.

5.2 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.

5. FAIR VALUE MEASUREMENTS *continued*

Measurements 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
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

5. FAIR VALUE MEASUREMENTS *continued*

Instrument	Valuation technique	Description of valuation technique and main assumptions	Observable inputs
Investment securities			
Equities listed in an inactive market	Discounted cash flows	For listed equities, the listed price is used where the market is active (i.e. level 1). However, if the market is not active and the listed price is not representative of fair value, a valuation technique is used to determine the fair value. The valuation technique will be based on risk parameters of comparable securities and the potential pricing difference in spread and/or price terms with the traded comparable is considered. Future cash flows are discounted using market-related interest rates. Where the valuation technique incorporates observable inputs for credit risk, 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
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

5. FAIR VALUE MEASUREMENTS *continued*

Instrument	Valuation technique	Description of valuation technique and main assumptions	Observable inputs
Investment securities continued			
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
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 as 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

5. FAIR VALUE MEASUREMENTS *continued*

Instrument	Valuation technique	Description of valuation technique and main assumptions	Observable inputs
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
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

5. FAIR VALUE MEASUREMENTS *continued*

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
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

5. 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 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 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
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

5. FAIR VALUE MEASUREMENTS *continued*

Instrument	Valuation technique	Description of valuation technique and main assumptions	Significant unobservable inputs of level 3 items
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 valuables do not result in significantly different valuations for the investment properties.	Income capitalisation rates
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

5. 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 previous table, 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. During the prior year the recoverable amount of certain associates was determined based on the fair value for the purpose of calculating impairments.

5. FAIR VALUE MEASUREMENTS *continued*

5.2.1 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

5. 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	–	–	–	–

5. FAIR VALUE MEASUREMENTS *continued*

5.2.2 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 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)**	

	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)	

5. FAIR VALUE MEASUREMENTS *continued*

5.3 Additional disclosures for level 3 financial instruments

5.3.1 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	Derivative financial liabilities	Other liabilities	Deposits
Balance as at 30 June 2014	120	151 810	3 958	–	5	–	1 327
Gains/losses recognised in profit or loss	(35)	7 123	1 136	–	4	–	(13)
Gains/losses recognised in other comprehensive income	–	–	27	–	–	–	–
Purchases, sales, issue and settlements	(15)	322	17 175	–	(4)	–	13
Transfer (out of)/into level 3	–	(6)	4 707	–	–	–	(56)
Exchange rate differences	–	1 279	24	–	–	–	2
Balance as at 30 June 2015	**70**	**160 528**	**27 027**	**–**	**5**	**–**	**1 273**
Gains/losses recognised in profit or loss	**9**	**7 776**	**5 915**	**(22)**	**13**	**36**	**67**
Gains/losses recognised in other comprehensive income	**–**	**–**	**16**	**–**	**–**	**–**	**–**
Purchases, sales, issue and settlements	**(19)**	**(8 392)**	**9 374**	**–**	**3**	**1 422**	**(669)**
Acquisitions/disposals of subsidiaries	**–**	**–**	**–**	**(7)**	**–**	**21**	**–**
Transfer into level 3	**–**	**–**	**2 821**	**416**	**107**	**–**	**–**
Exchange rate differences	**2**	**1 968**	**83**	**(1)**	**–**	**–**	**8**
Balance as at 30 June 2016	**62**	**161 880**	**45 236**	**386**	**128**	**1 479**	**679**

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.

5. FAIR VALUE MEASUREMENTS *continued*

5.3.2 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.

5. FAIR VALUE MEASUREMENTS *continued*

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

The table below illustrates the sensitivity of the significant inputs when changed to reasonably possible alternative inputs.

Asset/liability	Significant unobservable inputs	Unobservable input to which reasonably possible changes are applied	Reasonably possible changes applied
Derivative financial instruments	Volatilities	Volatilities	Increased and decreased by 10%.
Advances	Credit	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%.

5. FAIR VALUE MEASUREMENTS *continued*

	2016			2015		
	Reasonably possible alternative fair value			Reasonably possible alternative fair value		
R million	**Fair value**	**Using more positive assumptions**	**Using more negative assumptions**	Fair value	Using more positive assumptions	Using more negative assumptions
Assets						
Derivative financial instruments	**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

5. FAIR VALUE MEASUREMENTS *continued*

5.4 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

5. FAIR VALUE MEASUREMENTS *continued*

5.5 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

6. SUMMARISED SEGMENT INFORMATION

	2016							
			RMB					
R million	FNB	FNB Africa*	Investment banking	Corporate banking	WesBank	FCC (including Group Treasury) and other	Consolidation and IFRS adjustments	Total
Profit for the year before tax	**16 572**	**1 313**	**7 364**	**1 586**	**5 494**	**575**	**(2 217)**	**30 687**
Total assets	**333 515**	**49 217**	**395 822**	**39 311**	**205 700**	**271 289**	**(145 577)**	**1 149 277**
Total liabilities	**316 963**	**49 309**	**385 887**	**37 435**	**200 356**	**135 134**	**(83 872)**	**1 041 212**

	2015							
			RMB					
R million	FNB	FNB Africa*	Investment banking	Corporate banking	WesBank	FCC (including Group Treasury) and other	Consolidation and IFRS adjustments	Total
Profit for the year before tax	14 904	1 621	6 785	1 357	4 562	2 003	(1 377)	29 855
Total assets	308 759	41 269	376 355	39 347	184 822	226 514	(117 800)	1 059 266

* *Includes FNB's activities in India.*

7. 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, London and Guernsey.

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 page 64 for a simplified group structure.

7.1 Acquisitions of subsidiaries

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

	MotoVantage Holdings Proprietary Limited		Other 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**	–

7. SUBSIDIARIES AND NON-CONTROLLING INTERESTS *continued*

7.1 Acquisitions of subsidiaries *continued*

7.1.1 Acquisition that results in obtaining control

	MotoVantage Holdings Proprietary Limited		Other acquisitions	
R million	**2016**	2015	**2016**	2015
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**	–

7.1.2 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.

7. SUBSIDIARIES AND NON-CONTROLLING INTERESTS *continued*

7.2 Disposals of subsidiaries

7.2.1 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**	–

7. SUBSIDIARIES AND NON-CONTROLLING INTERESTS *continued*

7.3 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.*

8. 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.

definitions and abbreviations

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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

shareholders' information

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contents

SHAREHOLDERS' INFORMATION

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.*

ANALYSIS OF B PREFERENCE SHAREHOLDERS
as at 30 June 2016

	Number of shareholders	Shares held (thousands)	%
Public and non-public shareholders			
Public	**6 054**	**44 750**	**99.4**
Non-public			
– directors	**1**	**250**	**0.6**
Total	**6 055**	**45 000**	**100.0**

PERFORMANCE ON THE JSE
as at 30 June

	2016	2015
Number of shares in issue (thousands)	**5 609 488**	5 609 488
Market price (cents per share)		
Closing	**4 484**	5 332
High	**5 780**	5 847
Low	**3 408**	4 002
Weighted average	**4 731**	4 901
Closing price/net asset value per share	**2.52**	3.29
Closing price/earnings (headline)	**11.23**	13.98
Volume of shares traded (millions)	**3 491**	2 539
Value of shares traded (R million)	**161 496**	123 832
Market capitalisation (R billion)	**251.53**	299.10

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

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4 Merchant Place, Corner Fredman Drive and Rivonia Road
Sandton 2196
PO Box 650149, Benmore 2010
Tel: +27 11 282 1808
Fax: +27 11 282 8088
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 financial instruments of the group and its subsidiaries *continued*

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

	Issuer	Bond code	ISIN code
Credit-linked notes	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

LISTED DEBT INSTRUMENTS *continued*

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

notice of annual general meeting

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NOTICE OF ANNUAL GENERAL MEETING

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

ANNEXURE 1 – EXPLANATORY NOTE REGARDING SPECIAL RESOLUTION NUMBER 4, IDENTIFYING THE SALIENT DIFFERENCES BETWEEN THE CURRENT MOI AND THE PROPOSED MOI

The explanatory table below is to be read with the special resolution for the approval and adoption of the proposed MOI, which shall be tabled at the annual general meeting to be held on Tuesday, 29 November 2016 (or any adjournment or postponement thereof), and which seeks to identify some of the salient amendments made to the existing MOI in order to render them consistent with the provisions of the Companies Act, and all relevant provisions of the Listings Requirements.

The MOI has been drafted so as to retain the philosophy of the current MOI and to superimpose (i) amendments required by the unalterable provisions of the Companies Act, (ii) amendments made to adopt, restrict or limit the application of the alterable provisions of the Companies Act, and (iii) to comply with the provisions of the JSE Listings Requirements. In this regard, please note that some alterable provisions of the Companies Act are not capable of amendment in the listed environment, for example, the threshold for a special resolution although alterable in terms of the Companies Act, must be 75% (seventy five percent) for the purposes of the JSE Listings Requirements and, accordingly, the JSE Listings Requirements shall take precedence in these respects.

This table has been compiled, in compliance with provisions of Section 65(4) of the Companies Act, to highlight only the salient differences between the current MOI and new MOI. Nonetheless, all shareholders are advised to conduct their own review of the current MOI and the proposed MOI before voting on the adoption of new MOI, as this table is not an exhaustive list of the differences between the current MOI and the proposed MOI but merely sets out the salient differences between the two.

Accordingly, this document must be read in conjunction with the current MOI and the proposed MOI. Both the current MOI and the proposed MOI will be available for inspection from the date of issue of this 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.

Clause	Subject	Existing regime in the current MOI	Proposed regime in MOI
14.3	**CAPITALISATION SHARES**	Without derogating from the provisions of clause 37, if any difficulty arises in regard to any distribution under clause 14.1, the Directors may settle the same as they think it expedient. They may make all appropriations and applications of the undivided profits or sum resolved to be capitalised thereby, and all allotments and issues of Shares or debentures, if any, and generally shall do all acts and things required to give effect thereto, with full power to the Directors to provide that whenever fractions would be included in the holding of any Shareholder such fraction will be rounded up or down based on standard rounding convention, thereby resulting in no fractional entitlement. The Directors may also appoint any person to enter, on behalf of all Shareholders entitled to the benefit of such appropriations and applications or to participate in such distribution, into any contract requisite or convenient for giving effect thereto, and such appointment and contract made under such appointment shall be effective and binding on all such Shareholders.	Without derogating from the provisions of clause 37, if any difficulty arises in regard to any distribution under clause 14.1, the Directors may settle the same as they think it expedient. They may make all appropriations and applications of the undivided profits or sum resolved to be capitalised thereby, and all allotments and issues of Shares or debentures, if any, and generally shall do all acts and things required to give effect thereto, with full power to deal with fractional entitlements as prescribed in terms of the JSE Listings Requirements. The Directors may also appoint any person to enter, on behalf of all Shareholders entitled to the benefit of such appropriations and applications or to participate in such distribution, into any contract requisite or convenient for giving effect thereto, and such appointment and contract made under such appointment shall be effective and binding on all such Shareholders.
37.6	**DISTRIBUTION**	Any distribution, interest or other sum payable in cash to a Shareholder may be paid by electronic transfer for credit to an account nominated in writing by the Shareholder, or by cheque or warrant sent by post and addressed to –	Any distribution, interest or other sum payable in cash to a Shareholder may be paid by electronic transfer for credit to an account nominated in writing by the Shareholder.
37.6.1		the Shareholder at his registered address; or	DELETED

Clause	Subject	Existing regime in the current MOI	Proposed regime in MOI
37.6.2		in the case of joint holders, the holder whose name appears first in the Securities Register in respect of the Share, at his registered address; or	DELETED
37.6.3		such person and at such address as the holder or joint holders may in writing direct.	DELETED
37.7		Every such cheque or warrant shall, unless the holder or joint holders otherwise direct –	DELETED
37.7.1		be made payable to the order of the person to whom it is addressed; and	DELETED
37.7.2		be sent at the risk of the holder or joint holders.	DELETED
37.8	**RENUMBERED TO 37.7**	The Company shall not be responsible for the loss in transmission of any cheque or warrant or of any document (whether similar to a cheque or warrant or not) sent by post as aforesaid or for the loss or misdirection of any electronic transfer.	The Company shall not be responsible for the loss or misdirection of any electronic transfer. The making of such electronic transfer, to whomsoever effected, shall be a good discharge to the Company.
	CLAUSES 37.8 – 37.15 ARE RENUMBERED TO 37.7 – 37.14	NO CHANGES TO THE CONTENT OF THE CLAUSES	NONE

ANNEXURE 2 – ADDITIONAL INFORMATION REGARDING SPECIAL RESOLUTION NUMBER 1

For the purposes of considering special resolution number 1 and in compliance with the JSE Listings Requirements, the information listed below has been included.

1 Share capital

The authorised and issued share capital of the company as at the last practicable date is as follows.

Share capital of FirstRand	R thousand
Authorised	
6 001 688 450 ordinary shares of 1 cent each	60 017
198 311 550 A variable rate, convertible, cumulative redeemable preference shares of 1 cent each	1 983
100 000 000 B variable rate, convertible, non-cumulative non-redeemable preference shares of 1 cent each	1 000
100 000 000 C variable rate, convertible, non-cumulative redeemable preference shares of 1 cent each	1 000
100 000 000 D variable rate, cumulative redeemable preference shares of 1 cent each	1 000
Total authorised share capital	**65 000**
Issued	
5 609 488 001 ordinary shares of 1 cent each	56 095
Less: 2 201 270 treasury shares of 1 cent each	(22)
45 000 000 B variable rate, convertible, non-cumulative non-redeemable preference shares of 1 cent each	450
Total issued share capital	**56 523**
Share premium	
Ordinary shares	8 055 798
B variable rate, convertible, non-cumulative non-redeemable preference shares	4 519 000
Total share premium	**12 574 798**

All of the issued ordinary shares are listed on the JSE and the NSX.

All of the issued B preference shares are listed on the JSE.

2 Major shareholders

The following shareholders were directly or indirectly, significantly interested in the share capital of the company as at the last practicable date.

	Shares held (thousands)	%
Shareholders holding more than 5%		
RMB Holdings Limited	1 910 433	34.1
Public Investment Corporation	531 464	9.5
BEE partners	235 577	4.2
Financial Securities Limited (Remgro)	219 828	3.9
Subtotal	2 897 302	51.7
Other	2 712 186	48.3
Total	**5 609 488**	**100.0**

3 Material changes

There have been no material changes in the financial or trading position of the company and its subsidiaries that have occurred since the end of the last financial period, as detailed in the annual integrated report to which this Annexure 2 forms part.

4 Directors' responsibility statement

The directors, whose names are given on page 77 of the annual integrated report, collectively and individually accept full responsibility for the accuracy of the information contained in special resolution number 1, as well as the explanatory notes thereto, and certify that, to the best of their knowledge and belief, there are no other facts, the omission of which would make any statement false or misleading and that they have made all reasonable enquiries in this regard, and that this resolution contains all information required by law and the JSE Listings Requirements.

PROXY FORM – ORDINARY SHAREHOLDERS

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)

Only for use by shareholders who have not dematerialised their shares or who have dematerialised their shares with own name registration.

All other dematerialised shareholders must contact their CSDP or broker to make the relevant arrangements concerning voting and/or attendance at the annual general meeting.

For completion by the aforesaid registered shareholders who hold ordinary shares of the company and who are unable to attend the 2016 annual general meeting of the company to be held in the Auditorium, FNB Conference and Learning Centre, 114 Grayston Drive, on Tuesday, 29 November 2016 at 09:00 (the annual general meeting).

I/We

Of (address) Contact number

Being the holder/s of ordinary shares in the company, hereby appoint (see notes overleaf)

1. Or, failing him/her
2. Or, failing him/her
3. The chairman of the annual general meeting, as my/our proxy to attend, speak and vote for me/us and on my/our behalf or to abstain from voting at the annual general meeting of the company and at any adjournment thereof, as follows (see notes overleaf).

	Insert an X or the number of votes exercisable (one vote per ordinary share)		
	In favour of	Against	Abstain
Ordinary resolution numbers 1.1 to 1.5			
Re-election of directors by way of separate resolution:			
1.1 MS Bomela			
1.2 P Cooper			
1.3 GG Gelink			
1.4 NN Gwagwa			
1.5 BJ van der Ross			
Ordinary resolution number 1.6			
Vacancies filled by the directors during the year			
1.6 F Knoetze			
Ordinary resolution numbers 2.1 and 2.2			
Appointment of auditor:			
2.1 Deloitte & Touche			
Appointment of auditor:			
2.2 PricewaterhouseCoopers Inc.			
Advisory endorsement of remuneration policy			
Endorsement of remuneration policy			
Ordinary resolution number 3			
Placing the unissued ordinary shares under the control of the directors			
Ordinary resolution number 4			
General authority to issue authorised but unissued ordinary shares			
Ordinary resolution number 5			
Signing authority			
Special resolution number 1			
General authority to repurchase ordinary shares			
Special resolution number 2.1			
Financial assistance to directors and prescribed officers as employee share scheme beneficiaries			
Special resolution number 2.2			
Financial assistance to related and interrelated entities			
Special resolution number 3			
Remuneration of non-executive directors with effect from 1 December 2016			
Special resolution number 4			
Adoption of new Memorandum of Incorporation (MOI) of the company			

Signed at on 2016

Signature/s

Assisted by
(where applicable)

PLEASE SEE NOTES ON REVERSE SIDE OF THE FORM

NOTES TO PROXY FORM

Use of proxies

A shareholder who holds ordinary shares (shareholder) is entitled to attend and vote at the annual general meeting and to appoint one or more proxies to attend, speak and vote in his/her stead. A proxy need not be a shareholder of the company.

Every shareholder present in person or by proxy and entitled to vote at the annual general meeting of the company shall, on a show of hands, have one vote only, irrespective of the number of shares such shareholder holds, but in the event of a poll, every ordinary share in the company shall have one vote.

Instructions on signing and lodging the proxy form:

1. A shareholder may insert the name of a proxy or the names of two alternative proxies of the shareholders' choice in the space/s provided overleaf, with or without deleting "the chairman of the annual general meeting", but any such deletion must be initialled by the shareholder. Should this space be left blank, the chairman of the annual general meeting will exercise the proxy. The person whose name appears first on the proxy form and who is present at the annual general meeting will be entitled to act as proxy to the exclusion of those whose names follow.

2. A shareholder's voting instructions to the proxy must be indicated by the insertion of the number of votes exercisable by that shareholder in the appropriate spaces provided overleaf. Failure to do so shall be deemed to authorise the proxy to vote or to abstain from voting at the annual general meeting as he/she thinks fit in respect of all the shareholder's exercisable votes. A shareholder or his/her proxy is not obliged to use all the votes exercisable by his/her proxy, but the total number of votes cast, or those in respect of which abstention is recorded, may not exceed the total number of votes exercisable by the shareholder of his/her proxy.

3. A minor must be assisted by his/her parent or guardian unless the relevant documents establishing his/her legal capacity are produced or have been registered by the transfer secretaries.

4. To be valid the completed proxy forms must be forwarded to reach the company's 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 no later than 09:00 on Friday, 25 November 2016. Proxy forms may only be completed by shareholders who have not dematerialised their shares or who have dematerialised their shares with own name registration.

5. Documentary evidence establishing the authority of a person signing a proxy form in a representative capacity must be attached to the proxy form unless previously recorded by the transfer secretaries or waived by the chairman of the annual general meeting.

6. The completion and lodging of this proxy form shall not preclude the relevant shareholder from attending the annual general meeting, and speaking and voting in person thereat to the exclusion of any proxy appointed in terms hereof, should such shareholder wish to do so.

7. The completion of any blank spaces overleaf need not be initialled. Any alterations or corrections to this proxy form must be initialled by the signatory/ies.

8. The chairman of the annual general meeting may reject or accept any proxy form which is completed other than in accordance with these instructions, provided that he is satisfied as to the manner in which a shareholder wishes to vote.

9. A proxy may not delegate his/her authority to any other person.

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