for the six months ended 31 December 2016

analysis of financial results

FIRSTRAND BANK

ABOUT THIS REPORT

This report covers the unaudited condensed financial results of FirstRand Bank Limited (FRB or the bank) based on International Financial Reporting Standards (IFRS) for the six months ended 31 December 2016. **The primary results and accompanying commentary are presented on a normalised basis as the bank believes this most accurately reflects its economic performance.** The normalised results have been derived from the IFRS financial results.

Normalised results include a condensed income statement, statement of comprehensive income and statement of financial position. A detailed description of the difference between normalised and IFRS results is provided on pages 84 and 85. Detailed reconciliations of normalised to IFRS results are provided on pages 93 to 95. Commentary is based on normalised results, unless indicated otherwise.

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

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FIRSTRAND BANK

1929/001225/06 | Certain entities within the FirstRand group are Authorised Financial Services and Credit Providers. This analysis is available on the group's website: **www.firstrand.co.za**

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

SIMPLIFIED GROUP STRUCTURE

Shareholder	Holding in RMB Holdings Limited	Direct holding in FirstRand
Remgro Limited	28.2%	3.9%
Directors	9.9%	
Royal Bafokeng Holdings (Pty) Ltd	15.0%	
RMB Holdings Limited		34.1%
BEE partners		5.2%

FIRSTRAND

LISTED HOLDING COMPANY (FIRSTRAND LIMITED, JSE: FSR)

100%	100%	100%	100%	100%
FirstRand Bank Limited Bond code: FRII	FirstRand EMA Holdings (Pty) Ltd (FREMA)	FirstRand Investment Holdings (Pty) Ltd (FRIHL)	FirstRand Investment Management Holdings Limited	FirstRand Insurance Holdings (Pty) Ltd
Banking	Africa and emerging markets	Other activities	Investment management	Insurance

FirstRand Bank Limited (Banking)

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

FirstRand EMA Holdings (Pty) Ltd (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

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

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

** *Trading as FNB Channel Islands.*

FirstRand Investment Holdings (Pty) Ltd (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
48%	NewDisc

FirstRand Investment Management Holdings Limited (Investment management)

100%	Ashburton Fund Managers
100%	Ashburton Investor Services
100%	Ashburton Management Company (RF)
100%	Ashburton Investments International Holdings
100%	FNB CIS Management Company (RF)
100%	Atlantic Asset Management
100%	Ashburton Investments Namibia Holdings
100%	Various general partners[#]

\# *Ashburton Investments has a number of general partners for fund seeding purposes – all of these entities fall under FirstRand Investment Management Holdings Limited.*

FirstRand Insurance Holdings (Pty) Ltd (Insurance)

100%	FirstRand Life Assurance

Structure shows effective consolidated shareholding

Entities included in FRIHL and FREMA, FirstRand Investment Management Holdings Limited and FirstRand Insurance Holdings (Pty) Ltd are not included in the bank's results. The group's securitisations and conduits are in FRIHL.

FirstRand Bank (FRB or the bank) is a wholly-owned subsidiary of FirstRand Limited (FirstRand or the group), which is listed on the Johannesburg Stock Exchange (JSE) and the Namibian Stock Exchange (NSX). The bank provides a comprehensive range of retail, commercial, corporate and investment banking services in South Africa and offers niche products in certain international markets. The bank has three major divisions which are separately branded. First National Bank (FNB), the retail and commercial bank, Rand Merchant Bank (RMB), the corporate and investment bank, and WesBank, the instalment finance business. The FCC franchise represents group-wide functions. FRB has branches in London, India and Guernsey, and representative offices in Kenya, Angola, Dubai and Shanghai.

The bank's portfolio produced a **strong performance**

Normalised earnings **+18%**

ROE **22.6%**

ROA **1.75%**

Credit loss ratio **0.79%**

NPLs % of advances **2.36%**

CET1 **14.1%**

FNB First National Bank — Normalised earnings **+6%**

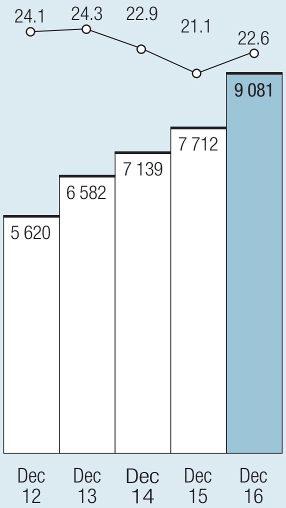
RMB — Normalised earnings **+43%**

WesBank — Normalised earnings **+13%**

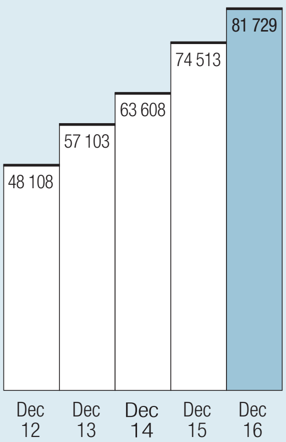
TRACK RECORD

The bank's portfolio has delivered five years of real growth and superior returns

NORMALISED EARNINGS (R million) AND ROE (%)
CAGR 13%



NORMALISED NAV (R million)
CAGR 14%



KEY FINANCIAL RESULTS, RATIOS AND STATISTICS – NORMALISED

	Six months ended 31 December			Year ended 30 June
R million	**2016**	2015	% change	2016
Earnings performance				
Attributable earnings – IFRS (refer page 86)	**9 339**	7 198	30	16 931
Headline earnings	**9 301**	7 196	29	16 959
Normalised earnings	**9 081**	7 712	18	17 351
Normalised net asset value	**81 729**	74 513	10	78 919
Tangible normalised net asset value	**81 550**	74 403	10	78 813
Average normalised net asset value	**80 324**	73 255	10	75 458
Capital adequacy* – IFRS				
Capital adequacy ratio (%)	**17.7**	16.7		17.1
Tier 1 ratio (%)	**14.5**	14.0		14.2
Common Equity Tier 1 ratio (%)	**14.1**	13.6		13.9
Balance sheet				
Normalised total assets	**1 049 273**	1 019 815	3	1 031 579
Loans and advances (net of credit impairment)	**767 013**	744 876	3	764 088
Ratios and key statistics				
ROE (%)	**22.6**	21.1		23.0
ROA (%)	**1.75**	1.57		1.75
Average loan-to-deposit ratio (%)	**93.2**	93.3		93.2
Diversity ratio (%)	**41.7**	41.8		41.6
Credit impairment charge	**3 087**	2 933	5	6 255
NPLs as % of advances	**2.36**	2.31		2.43
Credit loss ratio (%)	**0.79**	0.79		0.84
Specific coverage ratio (%)	**38.2**	42.1		38.6
Total impairment coverage ratio (%)	**78.7**	83.8		78.2
Performing book coverage ratio (%)	**0.98**	0.99		0.99
Cost-to-income ratio (%)	**53.8**	55.4		54.0
Effective tax rate (%)	**25.0**	26.6		24.2
Number of employees	**36 325**	36 989	(2)	36 310

* *Including foreign branches. Ratios include unappropriated profits.*

CONDENSED INCOME STATEMENT – NORMALISED

	Six months ended 31 December			Year ended 30 June
R million	**2016**	2015	% change	2016
Net interest income before impairment of advances	**19 964**	18 179	10	38 333
Impairment of advances	**(3 087)**	(2 933)	5	(6 255)
Net interest income after impairment of advances	**16 877**	15 246	11	32 078
Non-interest revenue	**14 269**	13 066	9	27 261
– Fee and commission income	**11 083**	10 381	7	21 119
– Markets, client and other fair value income	**1 533**	1 199	28	2 807
– Investment income	**32**	44	(27)	91
– Other non-interest revenue	**1 621**	1 442	12	3 244
Income from operations	**31 146**	28 312	10	59 339
Operating expenses	**(18 404)**	(17 299)	6	(35 392)
Income before tax	**12 742**	11 013	16	23 947
Indirect tax	**(473)**	(352)	34	(763)
Profit before tax	**12 269**	10 661	15	23 184
Income tax expense	**(3 070)**	(2 840)	8	(5 614)
Profit for the period	**9 199**	7 821	18	17 570
NCNR preference shareholders	**(118)**	(109)	8	(219)
Normalised earnings attributable to ordinary equityholders of the bank	**9 081**	7 712	18	17 351

CONDENSED STATEMENT OF COMPREHENSIVE INCOME – NORMALISED

	Six months ended 31 December			Year ended 30 June
R million	**2016**	2015	% change	2016
Profit for the period	**9 199**	7 821	18	17 570
Items that may subsequently be reclassified to profit or loss				
Cash flow hedges	**45**	528	(91)	118
Gains arising during the period	**116**	717	(84)	144
Reclassification adjustments for amounts included in profit or loss	**(53)**	16	(>100)	20
Deferred income tax	**(18)**	(205)	(91)	(46)
Available-for-sale financial assets	**(134)**	(759)	(82)	(495)
Losses arising during the period	**(125)**	(1 050)	(88)	(679)
Reclassification adjustments for amounts included in profit or loss	**(64)**	2	(>100)	7
Deferred income tax	**55**	289	(81)	177
Exchange differences on translating foreign operations	**(432)**	931	(>100)	482
(Losses)/gains arising during the period	**(432)**	931	(>100)	482
Items that may not subsequently be reclassified to profit or loss				
Remeasurements on defined benefit post-employment plans	**(26)**	(11)	>100	(31)
Losses arising during the period	**(36)**	(16)	>100	(43)
Deferred income tax	**10**	5	100	12
Other comprehensive (loss)/income for the period	**(547)**	689	(>100)	74
Total comprehensive income for the period	**8 652**	8 510	2	17 644
Attributable to				
Ordinary equityholders	**8 534**	8 401	2	17 425
NCNR preference shareholders	**118**	109	8	219
Total comprehensive income for the period	**8 652**	8 510	2	17 644

CONDENSED STATEMENT OF FINANCIAL POSITION – NORMALISED

	As at 31 December		As at 30 June
R million	**2016**	2015	2016
ASSETS			
Cash and cash equivalents	**51 035**	46 268	50 997
Derivative financial instruments	**35 389**	68 213	39 923
Commodities	**9 110**	10 779	12 514
Investment securities	**131 470**	95 566	111 430
Advances	**767 013**	744 876	764 088
– Advances to customers	**721 235**	709 504	719 693
– Marketable advances	**45 778**	35 372	44 395
Accounts receivable	**7 245**	5 786	4 561
Current tax asset	**315**	1 219	166
Amounts due by holding company and fellow subsidiary companies	**31 674**	33 493	32 793
Property and equipment	**14 631**	13 045	13 632
Intangible assets	**179**	110	106
Deferred income tax asset	**1 212**	460	1 369
Total assets	**1 049 273**	1 019 815	1 031 579
EQUITY AND LIABILITIES			
Liabilities			
Short trading positions	**13 828**	6 033	14 221
Derivative financial instruments	**44 983**	81 893	50 624
Creditors, accruals and provisions*	**11 622**	10 926	12 644
Current tax liability	**98**	–	75
Deposits	**847 635**	804 184	826 473
– Deposits from customers	**635 630**	603 941	612 492
– Debt securities	**149 985**	134 264	146 280
– Other	**62 020**	65 979	67 701
Employee liabilities	**6 624**	6 437	8 772
Other liabilities	**5 382**	3 995	5 386
Amounts due to holding company and fellow subsidiary companies	**14 780**	13 823	13 997
Tier 2 liabilities	**19 592**	15 011	17 468
Total liabilities	**964 544**	942 302	949 660
Equity			
Ordinary shares	**4**	4	4
Share premium	**16 804**	16 804	16 804
Reserves	**64 921**	57 705	62 111
Capital and reserves attributable to ordinary equityholders	**81 729**	74 513	78 919
NCNR preference shares	**3 000**	3 000	3 000
Total equity	**84 729**	77 513	81 919
Total equity and liabilities	**1 049 273**	1 019 815	1 031 579

* *In December 2015, provisions were presented in a separate line on the statement of financial position. The prior year has been restated accordingly.*

FLOW OF FUNDS ANALYSIS – NORMALISED

R million	**December 2016 vs June 2016 6-month movement**	December 2015 vs June 2015 6-month movement	June 2016 vs June 2015 12-month movement
Sources of funds			
Capital account movement (including profit and reserves)	**2 810**	2 516	6 922
Working capital movement	**(3 925)**	(10 026)	(2 264)
Short trading positions and derivative financial instruments	**(1 500)**	7 744	12 953
Investments	**2 332**	(3 688)	(6 006)
Deposits and long-term liabilities	**23 286**	27 509	52 255
Total	**23 003**	24 055	63 860
Application of funds			
Advances	**(2 925)**	(39 619)	(58 831)
Cash and cash equivalents	**(38)**	7 457	2 728
Investment securities (e.g. liquid asset portfolio)	**(20 040)**	8 107	(7 757)
Total	**(23 003)**	(24 055)	(63 860)

OVERVIEW OF RESULTS

"The bank continued its delivery of real growth in earnings and premium returns off a long track record of outperformance.

Normalised earnings growth of 18% and an ROE of 22.6% were driven by solid operational performances from our franchises and is a very satisfactory outcome given the level of ongoing investment in new growth initiatives, which is expected to deliver outperformance in the medium term and the level of conservatism applied to the balance sheet.

The bank continues to exercise discipline in allocating capital and will not chase growth at the expense of returns. We believe these results demonstrate the quality of our underlying businesses and strike the right balance between growth, prudent risk management and investment for growth, whilst ensuring premium returns."

JOHAN BURGER
CEO

INTRODUCTION

The macroeconomic environment remained tough in the period under review, characterised by increased global and domestic political uncertainty.

Increasing unemployment, rising inflation and low business and consumer confidence resulted in depressed household and business spending, reflected in weak retail and vehicle sales growth and a low rate of private sector credit expansion. The inflation rate remained well above the South African Reserve Bank's (SARB) 6% upper-range which prevented any interest rate relief.

Domestic import growth fell with a concurrent decrease in the trade deficit. A significant improvement in South Africa's terms of trade provided a further boost by lifting export growth. These developments provided support to the rand.

Continued political uncertainty in South Africa negatively impacted local and international investor confidence. This was compounded by increased global political uncertainty in the aftermath of the US election result.

The macroeconomic environment in the rest of the sub-Saharan region was also challenging as a number of countries had to deal with the ongoing fallout from the lower commodity price environment, weakening government finances, drought conditions and policy uncertainty.

OVERVIEW OF RESULTS

FirstRand Bank's diversified portfolio produced a strong performance against this backdrop with normalised earnings increasing 18% and the normalised ROE higher at 22.6%.

The table below shows a breakdown of sources of normalised earnings from the portfolio per operating franchise.

SOURCES OF NORMALISED EARNINGS

	Six months ended 31 December					Year ended 30 June	
R million	**2016**	**% composition**	2015	% composition	% change	2016	% composition
FNB	**5 708**	**63**	5 409**	70	6	10 658	61
RMB	**2 047**	**22**	1 429	18	43	3 692	21
WesBank	**1 231**	**14**	1 090**	14	13	2 560	15
FCC (including Group Treasury) and other*	**213**	**2**	(107)	(1)	(>100)	660	4
NCNR preference dividend	**(118)**	**(1)**	(109)	(1)	8	(219)	(1)
Normalised earnings	**9 081**	**100**	7 712	100	18	17 351	100

* *Includes negative accounting mismatches, improvement in interest rate management and improvement in foreign currency liquidity management.*

** *December 2015 numbers have been restated for the move of a business unit from WesBank to FNB.*

The six months to December 2016 were characterised by a slowdown in topline growth in certain areas of the portfolio, combined with a strong investment cycle. The operating franchises, however, continue to produce resilient operating performances.

- FNB's domestic franchise delivered a 6% increase in normalised earnings, underpinned by solid non-interest revenue (NIR) growth on the back of increased customer numbers and volumes, and high quality net interest income (NII) growth.
- RMB produced a robust performance driven by a strong fee generation, notable structuring solutions and effective cost containment.
- WesBank delivered a very solid performance despite the tough operating environment, with muted new business volumes in the motor and corporate loans books.

Total NII increased 10% driven by ongoing growth in advances (+3%) and deposits (+5%). Margins in many of the asset-generating businesses continued to come under pressure from higher term funding and liquidity costs. Term lending in both RMB and WesBank was muted due to ongoing discipline in origination to preserve returns given the prevailing competitive pressures. Earnings and margin benefited from the positive endowment effect.

The bank achieved fee and commission income growth of 7%, benefiting from ongoing volume growth, specifically in electronic channels together with solid growth in customer numbers. Fee and commission income represents 78% (December 2015: 79%) of NIR. Total NIR growth increased to 9%.

Knowledge-based fees at RMB remained robust, underpinned by key lending transactions and underwriting mandates.

Total operating expenses increased 6% as the bank remains committed to investing in its future growth strategies. The cost-to-income ratio decreased marginally to 53.8%.

Credit impairments increased 5% with the credit loss ratio remaining flat at 79 bps. Overall non-performing loans (NPLs) increased 5%, with retail NPLs increasing 20%, driven by:

- the anticipated normalisation of credit experience in retail SA vehicle asset finance (VAF) given the credit cycle; and
- new business strain as a result of strong book growth in MotoNovo (UK) and the retail portfolios in FNB (linked to cross-sell and up-sell strategies), and in FNB commercial.

Total coverage reduced to 78.7% reflecting a change in NPL mix, an increasing proportion of paying debt review retail NPLs and the work-out and write-off of certain large corporate exposures.

The performing book coverage ratio of 98 bps decreased marginally from the prior year's 99 bps. This was a result of a partial central overlay release, in spite of a further increase in portfolio impairments in the franchises.

The overall credit picture remains in line with expectations and reflects both the respective franchise growth strategies and the specific origination actions taken in the different segments of the bank's customer base throughout the current credit cycle. The bank consistently adjusted credit appetite in the high risk segments of the retail market from as early as 2011. Robust growth has, however, been generated on the back of FNB's strategy to focus on lending to its core transactional customer base.

FRANCHISE PERFORMANCE REVIEW

FirstRand's strategic framework is designed to accommodate a broad set of growth opportunities across the entire financial services universe from a product, market, segment and geographic perspective. The group believes this will ensure sustainable and superior returns for shareholders.

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.

Execution on this new framework has picked up momentum in the period under review as the customer-facing operating franchises increasingly leverage group-wide technology platforms, customer bases, distribution channels, licences and skills. The group is incrementally increasing its share of the insurance, savings and investment profit pools where it is currently under-represented, whilst protecting and growing its large transactional and lending franchises.

In South Africa, the bank continues to focus on:

- growing profitable market share;
- cross-sell and up-sell; and
- leveraging the group's building blocks (i.e. customer bases, distribution channels and systems).

Whether or not these platforms are part of FirstRand Bank, the optimal leverage of group-wide resources is key to protecting and growing FirstRand's large and successful lending and transactional franchises. For example, the manufacture of credit funds on the asset management platform provides protection and upside to RMB's origination franchise. Sales of investment products, manufactured on the asset management platform, create NIR growth for FNB.

In the rest of Africa, the bank's balance sheet is utilised in RMB's cross-border lending activities. The group's subsidiaries in the rest of Africa form part of FirstRand EMA (Pty) Ltd (refer to the simplified group structure on page 01) and thus fall outside of the bank.

In addition, the MotoNovo Finance business in the UK offers a platform for further growth in developed markets.

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

FNB

FNB represents the bank's activities in the retail and commercial segments in South Africa. It is growing its franchise on the back of a compelling customer offering that provides a broad range of innovative financial services products. This offering is delivered through efficient and cost effective delivery channels, particularly electronic and digital platforms.

FNB FINANCIAL HIGHLIGHTS

	Six months ended 31 December			Year ended 30 June
R million	2016	2015	% change	2016
Normalised earnings	**5 708**	5 409	6	10 658
Normalised PBT	**7 928**	7 514	6	14 804
Total assets	**341 962**	323 631	6	334 004
Total liabilities	**334 086**	316 210	6	319 305
NPLs (%)	**2.96**	2.54		2.93
Credit loss ratio (%)	**1.10**	0.91		1.03
Cost-to-income ratio (%)	**53.9**	54.2		55.1

SEGMENT RESULTS

	Six months ended 31 December			Year ended 30 June
R million	2016	2015	% change	2016
Normalised PBT				
Retail	**4 752**	4 753	–	9 133
FNB Africa*	**(228)**	(167)	37	(357)
Commercial	**3 404**	2 928	16	6 028
Total FNB	**7 928**	7 514	6	14 804

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

FNB's franchise produced pre-tax profits of R7.9 billion, up 6%. This was driven by its ongoing strategy to:

- grow and retain core transactional accounts;
- use its customer relationships and sophisticated data analytics to effectively cross-sell and up-sell into that customer base; and
- apply disciplined origination strategies and provide innovative transactional and savings products.

During the period under review, overall customer numbers increased 6% and the cross-sell ratio across FNB moved up from 2.63 to 2.72.

NII increased 11% driven by growth in both advances (+6%) and deposits (+11%) and the positive endowment effect from the increase in the repo rate. The table below shows that FNB's deliberate focus on acquiring and cross-selling into "sweet spot" transactional retail and commercial customers has continued to generate high quality NII growth.

SEGMENT ANALYSIS OF ADVANCES AND DEPOSIT GROWTH

	Deposit growth		Advances growth	
Segments	%	R billion	%	R billion
Retail	**14**	**23.1**	**4**	**9.1**
Commercial	**8**	**13.1**	**11**	**8.1**
Total FNB	**11**	**36.2**	**6**	**17.2**

This strategy continues to be particularly successful in the premium and commercial segments as indicated in the table below. Conservative credit origination strategies in the consumer segment constrained book growth.

	Period-on-period growth		
Customer segment	Customer numbers %	Unsecured advances %	Deposits %
Consumer	**5**	**(4)**	**8**
Premium	**8**	**16**	**18**
Commercial	**15**	**–**	**8**

NIR growth of 6% reflects a mixed picture in that the premium and commercial segments showed excellent growth of 16% and 9%, respectively, however, the consumer segment NIR growth was flat. This was a result of certain actions FNB took to rationalise its product offering in this segment, simplifying both product and pricing options. These actions resulted in a number of customers moving into lower revenue-generating product lines with the resultant impact on NIR. FNB believes this adjustment will ensure the consumer segment continues to grow its customer base and remain competitive on a sustainable basis.

Overall fee and commission income benefited from strong volume growth of 11% 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 linked to the e-migration and cross-sell strategy.

Cost growth was well contained at 8%. The cost-to-income ratio decreased marginally to 53.9%.

As expected, bad debts and NPLs increased period-on-period, however, the last six months has seen this trajectory flatten. NPLs in FNB's unsecured books, which have shown strong advances growth, are trending in line with expectations, reflecting the quality of new business written, appropriate pricing strategies and the positive effect of risk cutbacks in higher risk origination buckets.

The adoption of a reclassification of restructured debt review loans in the previous financial year to align with WesBank's practice, has resulted in an increase in total NPLs.

If the impact of this reclassification is excluded, total NPLs increased 9%.

The table below shows the relative contribution to NPL increase.

	Reclassifi-cation	Domestic retail and commercial	Total
Total FNB NPLs	14.0%	8.8%	22.8%

Overall provisioning levels have remained conservative with some overlays preserved.

RMB

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

RMB FINANCIAL HIGHLIGHTS

	Six months ended 31 December			Year ended 30 June
R million	2016	2015	% change	2016
Normalised earnings	**2 047**	1 429	43	3 692
Normalised PBT	**2 850**	1 984	44	5 128
Total assets	**381 239**	402 253	(5)	375 527
Total liabilities	**378 607**	400 527	(5)	371 143
Credit loss ratio (%)	**0.11**	0.39		0.27
Cost-to-income ratio (%)	**52.1**	56.3		52.9

RMB delivered a strong operational performance, with pre-tax profits increasing 44% to R2.9 billion. This highlights the strength 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 continued spend on regulatory and compliance initiatives.

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

BREAKDOWN OF PROFIT CONTRIBUTION BY ACTIVITY

	Six months ended 31 December								
	2016							2015	%
R million	IB&A	C&TB	M&S	INV	IM	Other	Total	Total	change
Normalised PBT									
Global Markets	**–**	**–**	**557**	**–**	**7**	**(60)**	**504**	420	20
IBD	**1 307**	**–**	**15**	**24**	**–**	**–**	**1 346**	1 323	2
Private Equity*	**–**	**–**	**–**	**(13)**	**–**	**–**	**(13)**	(45)	(71)
Other RMB	**–**	**–**	**–**	**–**	**–**	**417**	**417**	(211)	(>100)
Investment banking	**1 307**	**–**	**572**	**11**	**7**	**357**	**2 254**	1 487	52
Corporate banking	**–**	**596**	**–**	**–**	**–**	**–**	**596**	497	20
Total RMB – 2016	**1 307**	**596**	**572**	**11**	**7**	**357**	**2 850**	1 984	44
Total RMB – 2015**	1 123	497	444	(42)	11	(49)	1 984		
% change	16	20	29	(>100)	(36)	(>100)	44		

Note:

IB&A – investment banking and advisory
C&TB – corporate and transactional banking
M&S – markets and structuring
INV – investing
IM – investment management
** The majority of private equity activities are in FRIHL and thus fall outside the bank.*
*** Refer to additional activity disclosure on page 30.*

The performance of investment banking and advisory activities reflects ongoing discipline in financial resource allocation in an environment characterised by difficult credit markets and lower economic growth. Despite these conditions the business delivered excellent growth, underpinned by strong fee income on the back of key lending transactions and underwriting mandates. Lending margins continued to compress, but this was offset by solid balance sheet growth. Profits further benefited from lower credit impairments raised, due to proactive provisioning in prior periods. A conservative portfolio coverage ratio was maintained, given the prevailing weak credit cycle.

Corporate and transactional banking's continued focus on leveraging platforms and expanding the client franchise delivered strong profit growth. The business benefited from increased demand for structured and traditional trade products, coupled with the successful execution of liability strategies aimed at increasing transactional volumes and average deposit balances.

Markets and structuring activities delivered a balanced performance across asset classes, relative to the previous reporting period that was impacted by heightened levels of volatility in foreign exchange, fixed income and credit trading markets, as well as a specific credit loss incurred in the structuring portfolio. The execution of large structuring deals and strong commodities performance, further contributed to good profit growth in the current period.

Other activities reported a profit in the current period, driven mainly by the curtailment of losses in the RMB Resources business (December 2016: R45 million; December 2015: R185 million) and higher endowment earned on RMB's total capital base. This performance was partly offset by costs associated with an organisational and technological transformation project in the Global Markets business, which is aimed at driving efficiencies and risk mitigation. Significant investment in this project is expected over the next five years.

WesBank

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

WESBANK FINANCIAL HIGHLIGHTS

R million	Six months ended 31 December 2016	2015	% change	Year ended 30 June 2016
Normalised earnings	**1 231**	1 090	13	2 560
Normalised PBT	**1 710**	1 513	13	3 545
Total assets	**156 886**	167 617	(6)	168 366
Total liabilities	**155 206**	166 021	(7)	164 912
NPLs (%)	**4.38**	3.48		3.81
Credit loss ratio (%)	**1.78**	1.53		1.66
Cost-to-income ratio (%)	**45.4**	47.4		43.9
Net interest margin (%)	**5.40**	4.79		4.86

WesBank's performance is pleasing, with its domestic businesses remaining resilient in an operating environment characterised by constrained consumer disposable income and a challenging credit cycle, growing profits 13%. The increasing level of diversification in WesBank's portfolio of businesses continues to position the franchise well to weather the domestic credit cycle. The table below shows the relative performance period-on-period of WesBank's activities.

*BREAKDOWN OF PROFIT CONTRIBUTION BY ACTIVITY**

R million	Six months ended 31 December 2016	2015	% change	Year ended 30 June 2016
Normalised PBT				
VAF	**1 507**	1 267	19	3 047
– Retail SA	**657**	699	(6)	1 731
– MotoNovo (UK)**	**685**	409	67	950
– Corporate and commercial	**165**	159	4	366
Personal loans	**203**	246	(17)	498
Total WesBank	**1 710**	1 513	13	3 545

* *Refer to additional segment disclosure on page 28 and 29.*

** *MotoNovo (UK) increased 95% in GBP terms to GBP38 million.*

Overall advances declined 7% period-on-period, negatively impacted by securitisations of more than R16 billion in both the local and MotoNovo (UK) VAF books during the period. A decline in new business, both retail and corporate, was experienced although personal loans increased production 10%. MotoNovo (UK) new business volumes continued to track up (ZAR+18%, GBP+27.4%), but are slowing as risk appetite has been tightened. All new business volumes continue to reflect good quality and the overall risk profile remains in line with current credit appetite.

Retail SA VAF has shown a 6% pre-tax profit contraction period-on-period, as a result of an increase in impairments in the underlying portfolio as well as a reduction in revenues as a result of the exclusion of securitised assets during the year.

Interest margins have shown resilience despite higher funding and liquidity costs, and the shift in mix from fixed to floating rate business within total advances. From a new business perspective, however, this shift in mix has started to reverse.

As anticipated, impairment levels in the retail SA VAF portfolio are trending upwards, but remain within WesBank's through-the-cycle thresholds and WesBank remains conservatively provided for. NPLs as a percentage of advances are up marginally period-on-period. NPLs continue to be 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 these entered debt review. WesBank continues to monitor vintage performance closely. MotoNovo (UK)'s impairments are now trending above its through-the-cycle threshold. This is due to increased conservatism in impairment models and a deterioration in underlying arrears levels. This in turn has resulted in increased portfolio provisions.

WesBank produced strong growth in NIR of 13%. This was mainly driven by increases in full maintenance lease (FML) rental income on the back of good new business growth. Advances-related NIR growth was muted in line with book growth.

MotoNovo (UK)'s performance was positively impacted by the Turbo Finance 7 securitisation during the year and the resultant recognition of future margin on the sale of the securitised assets. This was partly offset by higher than expected levels of additional investment, particularly in its collections area and building out the personal loans offering. In addition, new business reduced on the back of relationship terminations in certain distribution channels showing elevated risk and some adjustment to credit appetite.

Growth in operating expenses was 5%, mainly driven by the investments in new business initiatives and volume-related expenditure in MotoNovo (UK) and WesBank FML. Core operational costs were well contained.

The relative contribution to the bank's normalised earnings mix and growth rates from types of income and business units are shown in the table below.

SEGMENT ANALYSIS OF NORMALISED EARNINGS

	Six months ended 31 December					Year ended 30 June	
R million	**2016**	**% composition**	2015	% composition	% change	2016	% composition
Retail	**4 369**	**49**	4 277	55	2	8 608	49
– FNB	**3 257**		3 301			6 318	
– WesBank	**1 112**		976			2 290	
Commercial	**2 570**	**28**	2 222	29	16	4 610	27
– FNB	**2 451**		2 108			4 340	
– WesBank	**119**		114			270	
Corporate and investment banking	**2 047**	**22**	1 429	18	43	3 692	21
– RMB	**2 047**		1 429			3 692	
Other	**95**	**1**	(216)	(2)	(>100)	441	3
– Dividends paid on NCNR preference shares	**(118)**		(109)			(219)	
– FCC (including Group Treasury) and elimination adjustments	**213**		(107)			660	
Normalised earnings	**9 081**	**100**	7 712	100	18	17 351	100

MANAGEMENT OF FINANCIAL RESOURCES

The management of the group's financial resources, which it defines as capital, funding and liquidity, and risk appetite (in all currencies), is critical and supportive to the achievement of FirstRand's stated growth and return targets, and is driven by the group's overall risk appetite.

Forecast growth in earnings and balance sheet risk weighted assets (RWA) is based on the group's macroeconomic outlook and evaluated against available financial resources, taking into account the requirements of capital providers and regulators. The expected outcomes and constraints are then stress tested and the group sets financial and prudential targets through different business cycles and scenarios to enable FirstRand to deliver on its commitments to stakeholders at a defined confidence level.

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

Given the high levels of uncertainty and volatility in funding markets, the group is exploring strategic options to protect its counterparty status. In addition, access to hard-currency funding is key to execution on the group's rest of Africa strategy and to grow MotoNovo (UK).

Balance sheet strength

Capital position

Current targeted ranges and actual ratios are summarised below.

%	CET1	Tier 1	Total	Leverage#
Regulatory minimum*	6.9	8.1	10.4	4.0
Targets	10.0 – 11.0	>12.0	>14.0	>5.0
Actual**	**14.1**	**14.5**	**17.7**	**7.4**

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

** *Includes unappropriated profits.*

\# *Based on Basel III regulations.*

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

The bank continues to actively manage its capital composition and, to this end, issued approximately R2.3 billion Basel III-compliant Tier 2 instruments in the domestic market during the past six months. This resulted in a more efficient capital structure which is closely aligned with the bank's internal targets. It remains the bank's intention to continue optimising its capital stack by frequently issuing Tier 2 instruments, either in the domestic and/or international markets. This ensures sustainable support for ongoing growth initiatives and also compensates for the haircut applied to Tier 2 instruments which are not compliant with Basel III.

Liquidity position

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

The bank exceeds the 70% (2016: 60%) minimum liquidity coverage ratio (LCR) requirement as set out by the Basel Committee for Banking Supervision (BCBS) with an LCR for the bank of 104% (December 2015: 74%). At 31 December 2016, the bank's available HQLA sources of liquidity per the LCR was R158 billion, with an additional R8 billion of management liquidity available.

Regulatory changes

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

PROSPECTS

Looking ahead, the bank expects economic growth to pick up slightly in calendar year 2017, although this is unlikely to provide significant support to topline growth for some time. In addition, global and domestic political risks continue to pose downside risk to this expectation.

FirstRand remains committed to its current investment cycle, despite ongoing topline pressures, as it believes its growth strategies both in broadening its financial services offerings and building its rest of Africa franchise will deliver outperformance over the medium to long term. The group still expects to deliver real growth in earnings and an ROE of between 18% and 22%.

BOARD CHANGES

Vivian Wade Bartlett retired as an independent non-executive director of FirstRand and FirstRand Bank on 29 November 2016.

Deepak Premnarayen retired as an independent non-executive director of FirstRand and FirstRand Bank on 29 November 2016.

Thandie Sylvia Mashego was appointed as a non-executive director of FirstRand and FirstRand Bank on 1 January 2017.

SEGMENT REPORT

	For the six months ended 31 December 2016							
	FNB							
	Retail							
R million	Residential mortgages	Card	Personal loans	Retail other	Retail	Commercial	FNB Africa*	Total FNB
Net interest income before impairment of advances	1 867	1 223	1 376	3 064	**7 530**	4 242	9	**11 781**
Impairment of advances	(132)	(289)	(565)	(510)	**(1 496)**	(263)	(6)	**(1 765)**
Net interest income after impairment of advances	1 735	934	811	2 554	**6 034**	3 979	3	**10 016**
Non-interest revenue	212	891	415	4 413	**5 931**	3 559	359	**9 849**
Income from operations	1 947	1 825	1 226	6 967	**11 965**	7 538	362	**19 865**
Operating expenses	(892)	(1 004)	(515)	(4 552)	**(6 963)**	(4 116)	(588)	**(11 667)**
Income before tax	1 055	821	711	2 415	**5 002**	3 422	(226)	**8 198**
Indirect tax	(6)	(30)	(8)	(206)	**(250)**	(18)	(2)	**(270)**
Profit for the period before tax	1 049	791	703	2 209	**4 752**	3 404	(228)	**7 928**
Income tax expense	(294)	(221)	(197)	(619)	**(1 331)**	(953)	64	**(2 220)**
Profit for the period	755	570	506	1 590	**3 421**	2 451	(164)	**5 708**
Attributable to:								
Ordinary equityholders	755	570	506	1 590	**3 421**	2 451	(164)	**5 708**
NCNR preference shareholders	–	–	–	–	**–**	–	–	**–**
Profit for the period	755	570	506	1 590	**3 421**	2 451	(164)	**5 708**
Attributable earnings to ordinary equityholders	755	570	506	1 590	**3 421**	2 451	(164)	**5 708**
Headline earnings adjustments	–	–	–	–	**–**	–	–	**–**
Headline earnings	755	570	506	1 590	**3 421**	2 451	(164)	**5 708**
Total return swap and IFRS 2 liability remeasurement	–	–	–	–	**–**	–	–	**–**
IAS 19 adjustment	–	–	–	–	**–**	–	–	**–**
Normalised earnings	755	570	506	1 590	**3 421**	2 451	(164)	**5 708**

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

* *FNB Africa results reported above relate to head office costs and FNB's activities in India. Earnings of the African subsidiaries form part of FREMA (see simplified group structure on page 01) and are not reported in bank.*

** *Refer to additional activity disclosure on page 30.*

Refer to additional segmental information on page 28.

For the six months ended 31 December 2016							
RMB							
Investment banking	Corporate banking	**Total RMB****	**WesBank#**	FCC (including Group Treasury) and other	**FRB – normalised**	Normalised adjustments	**FRB – IFRS**
1 975	732	**2 707**	**4 678**	798	**19 964**	(766)	**19 198**
(99)	(37)	**(136)**	**(1 436)**	250	**(3 087)**	–	**(3 087)**
1 876	695	**2 571**	**3 242**	1 048	**16 877**	(766)	**16 111**
2 791	853	**3 644**	**1 317**	(541)	**14 269**	1 281	**15 550**
4 667	1 548	**6 215**	**4 559**	507	**31 146**	515	**31 661**
(2 359)	(950)	**(3 309)**	**(2 721)**	(707)	**(18 404)**	(155)	**(18 559)**
2 308	598	**2 906**	**1 838**	(200)	**12 742**	360	**13 102**
(54)	(2)	**(56)**	**(128)**	(19)	**(473)**	–	**(473)**
2 254	596	**2 850**	**1 710**	(219)	**12 269**	360	**12 629**
(636)	(167)	**(803)**	**(479)**	432	**(3 070)**	(102)	**(3 172)**
1 618	429	**2 047**	**1 231**	213	**9 199**	258	**9 457**
1 618	429	**2 047**	**1 231**	95	**9 081**	258	**9 339**
–	–	**–**	**–**	118	**118**	–	**118**
1 618	429	**2 047**	**1 231**	213	**9 199**	258	**9 457**
1 618	429	**2 047**	**1 231**	95	**9 081**	258	**9 339**
–	–	**-**	**–**	–	**–**	(38)	**(38)**
1 618	429	**2 047**	**1 231**	95	**9 081**	220	**9 301**
–	–	**–**	**–**	–	**–**	(166)	**(166)**
–	–	**–**	**–**	–	**–**	(54)	**(54)**
1 618	429	**2 047**	**1 231**	95	**9 081**	–	**9 081**

Segment report for the six months ended 31 December 2016 *continued*

	For the six months ended 31 December 2016							
	FNB							
	Retail							
R million	Residential mortgages	Card	Personal loans	Retail other	**Retail**	Commercial	FNB Africa**	**Total FNB**
Cost-to-income ratio (%)	42.9	47.5	28.8	60.9	**51.7**	52.8	>100	**53.9**
Diversity ratio (%)	10.2	42.1	23.2	59.0	**44.1**	45.6	97.6	**45.5**
Credit loss ratio (%)	0.14	2.60	7.83	6.97	**1.24**	0.66	1.82	**1.10**
NPLs as a percentage of advances (%)	2.33	3.62	8.50	4.82	**2.97**	2.78	23.61	**2.96**
Income statement includes								
Depreciation	(2)	(3)	(1)	(775)	**(781)**	(19)	(2)	**(802)**
Amortisation	–	(2)	–	(15)	**(17)**	–	(1)	**(18)**
Impairment charges	–	–	–	(6)	**(6)**	–	–	**(6)**
Statement of financial position includes								
Advances (after ISP – before impairments)	191 693	22 495	14 431	14 911	**243 530**	80 349	559	**324 438**
NPLs net of ISP	4 462	814	1 226	719	**7 221**	2 235	132	**9 588**
Total deposits	698	1 611	1	191 727	**194 037**	182 450	341	**376 828**
Total assets	190 263	21 691	13 050	36 694	**261 698**	79 341	923	**341 962**
Total liabilities*	190 066	21 295	12 756	31 461	**255 578**	77 357	1 151	**334 086**
Capital expenditure	2	18	–	1 206	**1 226**	17	4	**1 247**

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

* *Total liabilities are net of interdivisional balances.*

** *FNB Africa results reported above relate to head office costs and FNB's activities in India. Earnings of the African subsidiaries form part of FREMA (see simplified group structure on page 01) and are not reported in bank.*

\# *Refer to additional segmental information on page 28.*

	For the six months ended 31 December 2016							
	RMB							
	Investment banking	Corporate banking	Total RMB	WesBank#	FCC (including Group Treasury) and other	FRB – normalised	Normalised adjustments	FRB – IFRS
	49.5	59.9	52.1	45.4	>100	53.8	–	53.4
	58.6	53.8	57.4	22.0	(>100)	41.7	–	44.8
	0.09	0.20	0.11	1.78	(0.06)	0.79	–	0.79
	0.90	0.18	0.79	4.38	–	2.36	–	2.36
	(48)	(1)	(49)	(267)	(9)	(1 127)	–	(1 127)
	(7)	–	(7)	(3)	(1)	(29)	–	(29)
	–	(1)	(1)	(8)	(1)	(16)	–	(16)
	220 842	38 658	259 500	155 205	42 370	781 513	(281)	781 232
	1 979	71	2 050	6 796	–	18 434	–	18 434
	87 551	109 704	197 255	48	273 504	847 635	–	847 635
	342 201	39 038	381 239	156 886	169 186	1 049 273	–	1 049 273
	340 323	38 284	378 607	155 206	96 645	964 544	–	964 544
	685	2	687	677	3	2 614	–	2 614

SEGMENT REPORT

	For the six months ended 31 December 2015							
	FNB							
	Retail							
R million	Residential mortgages	Card	Personal loans	Retail other	**Retail**	Commercial	FNB Africa*	**Total FNB**
Net interest income before impairment of advances	1 896	1 076	1 221	2 741	**6 934**	3 668	4	**10 606**
Impairment of advances	(159)	(220)	(440)	(346)	**(1 165)**	(202)	(1)	**(1 368)**
Net interest income after impairment of advances	1 737	856	781	2 395	**5 769**	3 466	3	**9 238**
Non-interest revenue	195	818	417	4 306	**5 736**	3 267	320	**9 323**
Income from operations	1 932	1 674	1 198	6 701	**11 505**	6 733	323	**18 561**
Operating expenses	(902)	(978)	(537)	(4 104)	**(6 521)**	(3 787)	(489)	**(10 797)**
Income before tax	1 030	696	661	2 597	**4 984**	2 946	(166)	**7 764**
Indirect tax	(8)	(24)	(9)	(190)	**(231)**	(18)	(1)	**(250)**
Profit for the period before tax	1 022	672	652	2 407	**4 753**	2 928	(167)	**7 514**
Income tax expense	(286)	(188)	(183)	(675)	**(1 332)**	(820)	47	**(2 105)**
Profit for the period	736	484	469	1 732	**3 421**	2 108	(120)	**5 409**
Attributable to								
Ordinary equityholders	736	484	469	1 732	**3 421**	2 108	(120)	**5 409**
NCNR preference shareholders	–	–	–	–	**–**	–	–	**–**
Profit for the period	736	484	469	1 732	**3 421**	2 108	(120)	**5 409**
Attributable earnings to ordinary equityholders	736	484	469	1 732	**3 421**	2 108	(120)	**5 409**
Headline earnings adjustments	–	–	–	–	**–**	–	–	**–**
Headline earnings	736	484	469	1 732	**3 421**	2 108	(120)	**5 409**
Total return swap and IFRS 2 liability remeasurement	–	–	–	–	**–**	–	–	**–**
IAS 19 adjustment	–	–	–	–	**–**	–	–	**–**
Normalised earnings	736	484	469	1 732	**3 421**	2 108	(120)	**5 409**

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

* *FNB Africa results reported above relate to head office costs and FNB's activities in India. Earnings of the African subsidiaries form part of FREMA (see simplified group structure on page 01) and are not reported in bank.*

** *Refer to additional activity disclosure on page 30.*

Refer to additional segmental information on page 28.

† *Restated, refer to pages 96 and 97 for more detailed information.*

For the six months ended 31 December 2015							
RMB							
Investment banking	Corporate banking	**Total RMB****	**WesBank#**	FCC (including Group Treasury) and other	**FRB – normalised**	Normalised adjustments	**FRB – IFRS†**
1 908	729	**2 637**	**4 289**	647	**18 179**	(745)	**17 434**
(453)	(35)	**(488)**	**(1 242)**	165	**(2 933)**	–	**(2 933)**
1 455	694	**2 149**	**3 047**	812	**15 246**	(745)	**14 501**
2 396	752	**3 148**	**1 168**	(573)	**13 066**	(367)	**12 699**
3 851	1 446	**5 297**	**4 215**	239	**28 312**	(1 112)	**27 200**
(2 312)	(945)	**(3 257)**	**(2 584)**	(661)	**(17 299)**	397	**(16 902)**
1 539	501	**2 040**	**1 631**	(422)	**11 013**	(715)	**10 298**
(52)	(4)	**(56)**	**(118)**	72	**(352)**	–	**(352)**
1 487	497	**1 984**	**1 513**	(350)	**10 661**	(715)	**9 946**
(416)	(139)	**(555)**	**(423)**	243	**(2 840)**	201	**(2 639)**
1 071	358	**1 429**	**1 090**	(107)	**7 821**	(514)	**7 307**
1 071	358	**1 429**	**1 090**	(216)	**7 712**	(514)	**7 198**
–	–	**–**	**–**	109	**109**	–	**109**
1 071	358	**1 429**	**1 090**	(107)	**7 821**	(514)	**7 307**
1 071	358	**1 429**	**1 090**	(216)	**7 712**	(514)	**7 198**
–	–	**–**	**–**	–	**–**	(2)	**(2)**
1 071	358	**1 429**	**1 090**	(216)	**7 712**	(516)	**7 196**
–	–	**–**	**–**	–	**–**	569	**569**
–	–	**–**	**–**	–	**–**	(53)	**(53)**
1 071	358	**1 429**	**1 090**	(216)	**7 712**	–	**7 712**

Segment report for the six months ended 31 December 2015 *continued*

R million	For the six months ended 31 December 2015							
	FNB							
	Retail							
	Residential mortgages	Card	Personal loans	Retail other	Retail	Commercial	FNB Africa**	Total FNB
Cost-to-income ratio (%)	43.1	51.6	32.8	58.2	**51.5**	54.6	>100	**54.2**
Diversity ratio (%)	9.3	43.2	25.5	61.1	**45.3**	47.1	98.8	**46.8**
Credit loss ratio (%)	0.17	2.18	6.77	5.32	**1.01**	0.58	0.37	**0.91**
NPLs as a percentage of advances (%)	2.29	2.55	5.07	4.01	**2.58**	2.30	15.96	**2.54**
Income statement includes								
Depreciation	(3)	(2)	(4)	(660)	**(669)**	(14)	(2)	**(685)**
Amortisation	–	–	–	(2)	**(2)**	–	–	**(2)**
Impairment charges	–	–	–	7	**7**	–	–	**7**
Statement of financial position includes								
Advances (after ISP – before impairments)	186 217	20 855	13 630	13 689	**234 391**	72 262	633	**307 286**
NPLs net of ISP	4 270	531	691	549	**6 041**	1 663	101	**7 805**
Total deposits	751	1 606	1	168 105	**170 463**	169 368	760	**340 591**
Total assets	184 976	20 156	12 476	33 392	**251 000**	71 742	889	**323 631**
Total liabilities*	184 721	19 804	12 190	28 417	**245 132**	70 013	1 065	**316 210**
Capital expenditure	1	1	1	762	**765**	24	6	**795**

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

* *Total liabilities are net of interdivisional balances.*

** *FNB Africa results reported above relate to head office costs and FNB's activities in India. Earnings of the African subsidiaries form part of FREMA (see simplified group structure on page 01) and are not reported in bank.*

Refer to additional segmental information on page 28.

† *Restated, refer to pages 96 to 98 for more detailed information.*

For the six months ended 31 December 2015							
RMB							
Investment banking	Corporate banking	**Total RMB**	**WesBank#**	FCC (including Group Treasury) and other	**FRB – normalised**	Normalised adjustments	**FRB – IFRS†**
53.7	63.8	**56.3**	**47.4**	>100	**55.4**	–	**56.1**
55.7	50.8	**54.4**	**21.4**	(>100)	**41.8**	–	**42.1**
0.43	0.18	**0.39**	**1.53**	(0.04)	**0.79**	–	**0.78**
1.78	0.30	**1.52**	**3.48**	–	**2.31**	–	**2.30**
(34)	(1)	**(35)**	**(213)**	(14)	**(947)**	–	**(947)**
(3)	–	**(3)**	**(9)**	(2)	**(16)**	–	**(16)**
–	–	**–**	**–**	–	**7**	–	**7**
210 629	43 897	**254 526**	**167 716**	30 028	**759 556**	(281)	**759 275**
3 740	133	**3 873**	**5 844**	–	**17 522**	(50)	**17 472**
91 155	111 261	**202 416**	**53**	261 124	**804 184**	–	**804 184**
355 790	46 463	**402 253**	**167 617**	126 314	**1 019 815**	–	**1 019 815**
354 756	45 771	**400 527**	**166 021**	59 544	**942 302**	–	**942 302**
29	1	**30**	**663**	7	**1 495**	–	**1 495**

SEGMENT REPORT

	For the year ended 30 June 2016							
	FNB							
	Retail							
R million	Residential mortgages	Card	Personal loans	Retail other	**Retail**	Commercial	FNB Africa*	**Total FNB**
Net interest income before impairment of advances	3 766	2 305	2 567	5 883	**14 521**	7 680	8	**22 209**
Impairment of advances	(414)	(565)	(1 051)	(755)	**(2 785)**	(390)	2	**(3 173)**
Net interest income after impairment of advances	3 352	1 740	1 516	5 128	**11 736**	7 290	10	**19 036**
Non-interest revenue	383	1 651	790	8 733	**11 557**	6 572	621	**18 750**
Income from operations	3 735	3 391	2 306	13 861	**23 293**	13 862	631	**37 786**
Operating expenses	(1 766)	(1 969)	(998)	(9 058)	**(13 791)**	(7 802)	(986)	**(22 579)**
Income before tax	1 969	1 422	1 308	4 803	**9 502**	6 060	(355)	**15 207**
Indirect tax	(13)	(51)	(17)	(288)	**(369)**	(32)	(2)	**(403)**
Profit for the year before tax	1 956	1 371	1 291	4 515	**9 133**	6 028	(357)	**14 804**
Income tax expense	(548)	(384)	(361)	(1 265)	**(2 558)**	(1 688)	100	**(4 146)**
Profit for the year	1 408	987	930	3 250	**6 575**	4 340	(257)	**10 658**
Attributable to								
Ordinary equityholders	1 408	987	930	3 250	**6 575**	4 340	(257)	**10 658**
NCNR preference shareholders	–	–	–	–	**–**	–	–	**–**
Profit for the year	1 408	987	930	3 250	**6 575**	4 340	(257)	**10 658**
Attributable earnings to ordinary equityholders	1 408	987	930	3 250	**6 575**	4 340	(257)	**10 658**
Headline earnings adjustments	–	–	–	–	**–**	–	–	**–**
Headline earnings	1 408	987	930	3 250	**6 575**	4 340	(257)	**10 658**
Total return swap and IFRS 2 liability remeasurement	–	–	–	–	**–**	–	–	**–**
IAS 19 adjustment	–	–	–	–	**–**	–	–	**–**
Normalised earnings	1 408	987	930	3 250	**6 575**	4 340	(257)	**10 658**

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

* *FNB Africa results reported above relate to head office costs and FNB's activities in India. Earnings of the African subsidiaries form part of FREMA (see simplified group structure on page 01) and are not reported in bank.*

** *Refer to additional activity disclosure on page 30.*

Refer to additional segmental information on page 28.

† *Restated, refer to pages 96 and 97 for more detailed information.*

For the year ended 30 June 2016							
RMB							
Investment banking	Corporate banking	Total RMB**	WesBank#	FCC (including Group Treasury) and other	FRB – normalised	Normalised adjustments	FRB – IFRS†
4 110	1 466	5 576	9 047	1 501	38 333	(1 556)	36 777
(514)	(162)	(676)	(2 701)	295	(6 255)	–	(6 255)
3 596	1 304	4 900	6 346	1 796	32 078	(1 556)	30 522
5 337	1 593	6 930	2 497	(916)	27 261	625	27 886
8 933	2 897	11 830	8 843	880	59 339	(931)	58 408
(4 754)	(1 858)	(6 612)	(5 068)	(1 133)	(35 392)	357	(35 035)
4 179	1 039	5 218	3 775	(253)	23 947	(574)	23 373
(83)	(7)	(90)	(230)	(40)	(763)	–	(763)
4 096	1 032	5 128	3 545	(293)	23 184	(574)	22 610
(1 147)	(289)	(1 436)	(985)	953	(5 614)	154	(5 460)
2 949	743	3 692	2 560	660	17 570	(420)	17 150
2 949	743	3 692	2 560	441	17 351	(420)	16 931
–	–	–	–	219	219	–	219
2 949	743	3 692	2 560	660	17 570	(420)	17 150
2 949	743	3 692	2 560	441	17 351	(420)	16 931
–	–	–	–	–	–	28	28
2 949	743	3 692	2 560	441	17 351	(392)	16 959
–	–	–	–	–	–	494	494
–	–	–	–	–	–	(102)	(102)
2 949	743	3 692	2 560	441	17 351	–	17 351

Segment report for the year ended 31 June 2016 *continued*

	For the year ended 30 June 2016							
	FNB							
	Retail							
R million	Residential mortgages	Card	Personal loans	Retail other	**Retail**	Commercial	FNB Africa**	**Total FNB**
Cost-to-income ratio (%)	42.6	49.8	29.7	62.0	**52.9**	54.7	>100	**55.1**
Diversity ratio (%)	9.2	41.7	23.5	59.7	**44.3**	46.1	98.7	**45.8**
Credit loss ratio (%)	0.22	2.73	7.84	5.66	**1.20**	0.53	(0.33)	**1.03**
NPLs as a percentage of advances (%)	2.46	3.46	7.33	5.49	**3.03**	2.49	18.53	**2.93**
Income statement includes								
Depreciation	(6)	(5)	(5)	(1 343)	**(1 359)**	(32)	(4)	**(1 395)**
Amortisation	–	–	–	(12)	**(12)**	–	(1)	**(13)**
Net impairment charges	–	–	–	5	**5**	–	–	**5**
Statement of financial position includes								
Advances (after ISP – before impairments)	189 453	21 968	14 443	14 344	**240 208**	77 941	761	**318 910**
NPLs net of ISP	4 664	759	1 059	787	**7 269**	1 941	141	**9 351**
Total deposits	706	1 557	1	177 886	**180 150**	167 401	757	**348 308**
Total assets	188 013	21 229	13 157	32 898	**255 297**	77 564	1 143	**334 004**
Total liabilities*	187 585	20 521	12 611	23 056	**243 773**	74 017	1 515	**319 305**
Capital expenditure	3	5	2	2 091	**2 101**	62	25	**2 188**

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

* *Total liabilities are net of interdivisional balances.*

** *FNB Africa results reported above relate to head office costs and FNB's activities in India. Earnings of the African subsidiaries form part of FREMA (see simplified group structure on page 01) and are not reported in bank.*

\# *Refer to additional segmental information on page 28.*

† *Restated, refer to pages 96 to 98 for more detailed information.*

	For the year ended 30 June 2016								
	RMB								
	Investment banking	Corporate banking	Total RMB	WesBank[#]	FCC (including Group Treasury) and other	FRB – normalised	Normalised adjustments	FRB – IFRS[†]
	50.3	60.7	52.9	43.9	>100	54.0	–	54.2
	56.5	52.1	55.4	21.6	(>100)	41.6	–	43.1
	0.24	0.48	0.27	1.66	(0.04)	0.84	–	0.84
	1.42	0.34	1.27	3.81	–	2.43	–	2.43
	(103)	(3)	(106)	(461)	(27)	(1 989)	–	(1 989)
	(6)	–	(6)	(22)	(5)	(46)	–	(46)
	(44)	2	(42)	(77)	–	(114)	–	(114)
	216 383	34 442	250 825	168 274	40 897	778 906	(281)	778 625
	3 073	116	3 189	6 413	–	18 953	–	18 953
	98 168	105 222	203 390	60	274 715	826 473	–	826 473
	339 258	36 269	375 527	168 366	153 682	1 031 579	–	1 031 579
	336 224	34 919	371 143	164 912	94 300	949 660	–	949 660
	73	2	75	1 306	10	3 579	–	3 579

ADDITIONAL SEGMENTAL DISCLOSURE – WESBANK

	Six months ended 31 December 2016				
	VAF				
	Retail				
R million	South Africa	MotoNovo (UK)	Corporate and commercial	Personal loans	Total WesBank
NII before impairment of advances	**1 966**	**1 248**	**277**	**1 187**	**4 678**
Impairment of advances	**(686)**	**(222)**	**(23)**	**(505)**	**(1 436)**
Normalised profit before tax	**657**	**685**	**165**	**203**	**1 710**
Normalised earnings	**473**	**493**	**119**	**146**	**1 231**
Advances	**92 016**	**22 236**	**28 485**	**12 468**	**155 205**
NPLs	**5 094**	**197**	**267**	**1 238**	**6 796**
Advances margin (%)	**3.52**	**9.38**	**2.28**	**19.15**	**5.40**
NPLs (%)	**5.54**	**0.89**	**0.94**	**9.93**	**4.38**
Credit loss ratio (%)	**1.44**	**1.74**	**0.16**	**8.30**	**1.78**

	Six months ended 31 December 2015				
	VAF				
	Retail				
R million	South Africa	MotoNovo (UK)	Corporate and commercial	Personal loans	Total WesBank
NII before impairment of advances	2 110	761	314	1 104	4 289
Impairment of advances	(628)	(137)	(24)	(453)	(1 242)
Normalised profit before tax	699	409	159	246	1 513
Normalised earnings	504	294	114	178	1 090
Advances	96 748	28 450	31 253	11 265	167 716
NPLs	4 332	115	384	1 013	5 844
Advances margin (%)	3.79	5.11	2.47	19.63	4.79
NPLs (%)	4.48	0.40	1.23	8.99	3.48
Credit loss ratio (%)	1.30	1.11	0.16	8.34	1.53

	Year ended 30 June 2016				
	VAF				
	Retail				
R million	South Africa	MotoNovo (UK)	Corporate and commercial	Personal loans	Total WesBank
NII before impairment of advances	4 344	1 808	636	2 259	9 047
Impairment of advances	(1 366)	(338)	(22)	(975)	(2 701)
Normalised profit before tax	1 731	950	366	498	3 545
Normalised earnings	1 247	684	270	359	2 560
Advances	98 377	28 866	29 161	11 870	168 274
NPLs	4 857	126	302	1 128	6 413
Advances margin (%)	3.79	5.53	2.40	19.52	4.89
NPLs (%)	4.94	0.44	1.04	9.50	3.81
Credit loss ratio (%)	1.41	1.36	0.07	8.73	1.66

ADDITIONAL ACTIVITY DISCLOSURE – RMB

Normalised PBT *R million*	Six months ended 31 December 2016						
	IB&A	**C&TB**	**M&S**	**INV**	**IM**	**Other**	**Total**
Global Markets	**–**	**–**	**557**	**–**	**7**	**(60)**	**504**
IBD	**1 307**	**–**	**15**	**24**	**–**	**–**	**1 346**
Private Equity	**–**	**–**	**–**	**(13)**	**–**	**–**	**(13)**
Other RMB	**–**	**–**	**–**	**–**	**–**	**417**	**417**
Investment banking	**1 307**	**–**	**572**	**11**	**7**	**357**	**2 254**
Corporate banking	**–**	**596**	**–**	**–**	**–**	**–**	**596**
Total RMB	**1 307**	**596**	**572**	**11**	**7**	**357**	**2 850**

Normalised PBT *R million*	Six months ended 31 December 2015						
	IB&A	C&TB	M&S	INV	IM	Other	Total
Global Markets	–	–	444	7	7	(38)	420
IBD	1 323	–	–	(4)	4	–	1 323
Private Equity	–	–	–	(45)	–	–	(45)
Other RMB	(200)	–	–	–	–	(11)	(211)
Investment banking	1 123	–	444	(42)	11	(49)	1 487
Corporate banking	–	497	–	–	–	–	497
Total RMB	1 123	497	444	(42)	11	(49)	1 984

Normalised PBT *R million*	Year ended 30 June 2016						
	IB&A	C&TB	M&S	INV	IM	Other	Total
Global Markets	–	–	1 099	(34)	26	(43)	1 048
IBD	3 506	–	11	91	9	–	3 617
Private Equity	–	–	–	(120)	–	–	(120)
Other RMB	(300)	–	–	–	–	(149)	(449)
Investment banking	3 206	–	1 110	(63)	35	(192)	4 096
Corporate banking	–	1 032	–	–	–	–	1 032
Total RMB	3 206	1 032	1 110	(63)	35	(192)	5 128

Note:

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

income statement analysis

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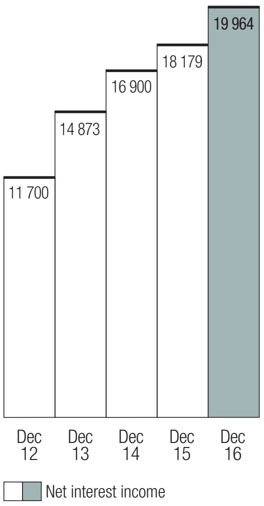
NET INTEREST INCOME (BEFORE IMPAIRMENT OF ADVANCES) – UP 10%

NET INTEREST INCOME

R million

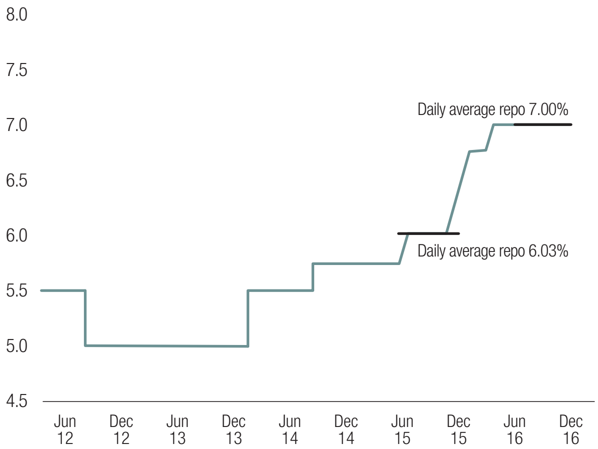
CAGR 14%



Note: 2013 to 2016 figures have been prepared in terms of IFRS 10 and 11, and the revised IAS 19.

REPO RATE

%



Note: R174 billion = average endowment book for the period. Rates were higher by 97 bps on average in the current period, which translates into a positive endowment impact of approximately R1.7 billion on an annualised basis and more than R850 million for the period under review.

MARGIN CASCADE TABLE

Percentage of average interest-earning banking assets	%
December 2015 normalised margin	**4.95**
Capital and deposit endowment	**0.24**
Advances*	**0.19**
– Change in balance sheet mix	**0.10**
– Asset pricing	**0.09**
Liabilities	**0.02**
– Change in funding mix	**0.07**
– Term funding cost	**0.01**
– Deposit pricing	**(0.06)**
Group Treasury and other movements	**(0.18)**
– MTM vs accrual on term issuance in professional funding	**(0.10)**
– Liquidity management	**(0.11)**
– Increase in HQLA	**(0.10)**
– Liquidity mismatches	**(0.01)**
– Interest rate risk hedges	**0.05**
– Accounting mismatches	**–**
– Other	**(0.02)**
December 2016 normalised margin	**5.22**

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

ACTIVITY ANALYSIS OF NET INTEREST INCOME BEFORE IMPAIRMENT OF ADVANCES

	Six months ended 31 December			Year ended June
R million	2016	2015	% change	2016
Net interest income				
Lending*	**8 599**	8 295	4	17 640
Transactional**	**6 973**	5 960	17	12 498
Savings and term deposits#	**1 356**	1 326	2	2 690
Capital endowment†	**2 677**	2 233	20	4 280
Group Treasury†	**(5)**	(79)	(94)	598
Other (negative endowment, e.g. fixed assets)*, #	**364**	444	(18)	627
Total net interest income	**19 964**	18 179	10	38 333

* *NII related to certain asset classes were reclassified from lending to other. December 2015 figures have been restated to reflect this change.*
** *Includes NII related to credit cards, overdrafts and transactional deposit products, and deposit endowment.*
# *December 2015 savings and term deposits, and other NII restated to reflect certain classification changes.*
† *Improved methodology for attribution of return on capital resulted in shifts between the capital endowment and Group Treasury lines for December 2015.*

KEY DRIVERS

- Positive capital and deposit endowment from the cumulative 125 bps increase in the repo rate during the 12-month period ended June 2016 (25 bps increases in the repo rate in July and November 2015, and March 2016, and 50 bps in January 2016), which represents an average increase of 97 bps in the repo rate period-on-period.
- NII growth supported by:
  – higher capital levels; and
  – advances and deposit growth of 3% and 5%, respectively.
- FNB's margins benefited from positive deposit endowment and an increase in the deposit base, however, this was partly offset by compression in advances margins. Repricing benefits in card and retail overdrafts were offset by higher funding and liquidity costs as well as higher levels of suspended interest on NPLs.
- WesBank's margins increased, positively impacted by the mix change in new business in retail SA VAF book as well as the positive impact of securitisation transactions during the period in the MotoNovo book, but offset by slower growth in MotoNovo (UK), continued elevated funding and liquidity costs, and increased competitive pressures.
- Investment banking advances margins were negatively impacted by continued high levels of term funding and liquidity costs as well as competitive pricing pressure.
- A decrease of R96 million (December 2015: R72 million increase) in the dollar funding carry costs relating to pre-funding dollar liquidity in previous financial years, positively impacted by the partial deployment of a portion of the funding to assets and a reduction in the level of surplus funding period-on-period.
- R185 million profit, compared to R162 million negative mark-to-market movement in December 2015, on non-hedge accounted interest rate risk management hedge positions closed out during the period.
- Negative period-on-period mark-to-market movement of R254 million on fair value term funding instruments due to movements in the domestic yield curve. This will reverse over the duration of the underlying instruments, which are long dated.
- The ongoing build-up of HQLA in compliance with the LCR prudential regulatory requirement negatively impacted the bank's interest margin, albeit at lower levels than in the prior period.

AVERAGE BALANCE SHEET

R million	Notes	December 2016 Average balance#	December 2016 Interest income/ (expense)	December 2016 Average rate %	December 2015 Average balance	December 2015 Interest income/ (expense)	December 2015 Average rate %
INTEREST-EARNING ASSETS							
Average prime rate (RSA)				**10.50**			9.53
Balances with central banks		**19 665**	**–**	**–**	18 644	–	–
Cash and cash equivalents		**13 582**	**290**	**4.24**	13 319	227	3.38
Liquid assets portfolio		**94 802**	**3 646**	**7.63**	84 058	2 966	7.00
Loans and advances to customers	1	**630 935**	**35 581**	**11.19**	612 866	31 578	10.22
Interest-earning assets		**758 984**	**39 517**	**10.33**	728 887	34 771	9.46
INTEREST-BEARING LIABILITIES							
Average JIBAR				**7.35**			6.23
Deposits due to customers	2	**(490 942)**	**(11 719)**	**4.74**	(438 343)	(8 549)	3.87
Group Treasury funding		**(273 634)**	**(9 270)**	**6.72**	(264 289)	(7 861)	5.90
Interest-bearing liabilities		**(764 576)**	**(20 989)**	**5.45**	(702 632)	(16 410)	4.63
ENDOWMENT AND TRADING BOOK							
Other assets*		**212 064**	**–**	**–**	189 220	–	–
Other liabilities**		**(122 363)**	**–**	**–**	(134 566)	–	–
NCNR preference shareholders		**(3 000)**	**–**	**–**	(3 000)	–	–
Equity		**(81 109)**	**–**	**–**	(77 909)	–	–
Endowment and trading book		**5 592**	**1 436**	**50.94**	(26 255)	(182)	1.38
Total interest-earning liabilities, endowment and trading book		**(758 984)**	**(19 553)**	**5.11**	(728 887)	(16 592)	4.52
Net interest margin on average interest-earning assets		**758 984**	**19 964**	**5.22**	728 887	18 179	4.95

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

* *Includes preference share advances and trading assets.*
** *Includes trading liabilities.*
# *Includes level 1 HQLA and level 2 HQLA and corporate bonds not qualifying as HQLA.*

NOTE 1 – MARGIN ANALYSIS ON LOANS AND ADVANCES TO CUSTOMERS

	December 2016		December 2015**	
R million	Average balance	Average margin %	Average balance	Average margin %
Average prime rate (RSA)		**10.50**		9.53
ADVANCES				
Retail – secured	**306 021**	**2.77**	305 922	2.69
Residential mortgages	**189 949**	**1.62**	183 317	1.79
VAF	**116 072**	**4.66**	122 605	4.04
Retail – unsecured	**66 111**	**12.48**	58 729	12.47
Card	**22 512**	**9.43**	20 443	9.31
Personal loans	**29 032**	**16.60**	25 106	16.98
– FNB loans	**16 569**	**14.68**	14 653	15.09
– WesBank loans	**12 463**	**19.15**	10 453	19.63
Retail other	**14 567**	**8.99**	13 180	8.77
Corporate and commercial	**258 803**	**2.24**	248 215	2.28
FNB commercial	**77 752**	**3.39**	68 595	3.55
– Mortgages	**18 475**	**2.34**	16 274	2.60
– Overdrafts	**28 838**	**4.32**	25 062	4.51
– Term loans	**30 439**	**3.15**	27 259	3.24
WesBank corporate	**27 448**	**2.28**	27 320	2.47
RMB investment banking*	**122 385**	**1.60**	121 756	1.61
RMB corporate banking	**31 218**	**1.87**	30 544	1.90
Total advances	**630 935**	**3.57**	612 866	3.46

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

* *Assets under agreement to resell and preference share advances are excluded from loans and advances to customers.*
** *2015 margins have been restated due to product segmentation.*

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

The group operates a transfer pricing framework that incorporates liquidity cost and benefits into product pricing, including any regulatory costs for all significant business activities on- and off-balance sheet, thereby aligning liquidity risk-taking incentives of individual business units with the liquidity risk exposure this activity creates for the group as a whole.

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

NOTE 2 – MARGIN ANALYSIS ON DEPOSITS DUE TO CUSTOMERS

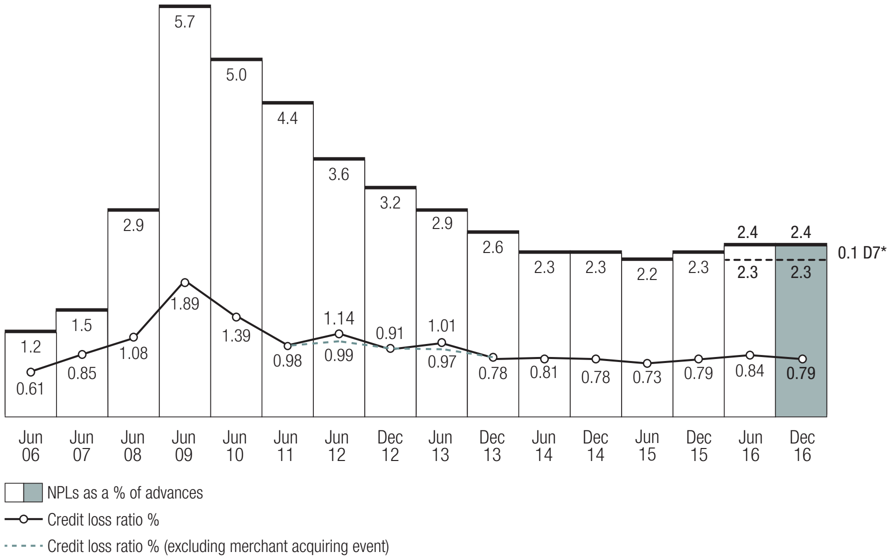
	December 2016		December 2015*	
R million	Average balance	Average margin %	Average balance	Average margin %
Average prime rate (RSA)		**10.50**		9.53
DEPOSITS				
Retail	**170 335**	**2.97**	150 472	2.95
Current and savings	**54 938**	**6.77**	52 161	6.04
Call	**44 084**	**1.39**	36 548	1.68
Term	**71 313**	**1.01**	61 763	1.09
Commercial	**171 899**	**2.92**	157 443	2.73
Current and savings	**63 495**	**6.09**	59 767	5.24
Call	**66 580**	**1.48**	59 379	1.64
Term	**41 824**	**0.40**	38 297	0.49
Corporate and investment banking	**148 708**	**0.84**	130 428	0.85
Current and savings	**59 837**	**1.37**	54 976	1.38
Call	**49 072**	**0.73**	45 907	0.61
Term	**39 799**	**0.18**	29 545	0.23
Total deposits	**490 942**	**2.30**	438 343	2.25

Average balances are daily averages for FNB and WesBank, and monthly averages for RMB.

* *2015 margins have been restated due to product segmentation.*

CREDIT HIGHLIGHTS

NPLs AND IMPAIRMENT HISTORY



* *Further information is on page 39.*

R million	Six months ended 31 December		% change	Year ended 30 June
	2016	2015		2016
Total gross advances	**781 513**	759 556	3	778 906
NPLs	**18 434**	17 522	5	18 953
NPLs as a % of advances	**2.36**	2.31		2.43
Impairment charge	**3 087**	2 933	5	6 255
Credit loss ratio (%)	**0.79**	0.79		0.84
Total impairments	**14 500**	14 680	(1)	14 818
– Portfolio impairments	**7 456**	7 311	2	7 510
– Specific impairments	**7 044**	7 369	(4)	7 308
Specific coverage ratio (%)*	**38.2**	42.1		38.6
Total impairments coverage ratio (%)**	**78.7**	83.8		78.2
Performing book coverage ratio (%)#	**0.98**	0.99		0.99

* *Specific impairments as percentage of NPLs.*
** *Total impairments as a percentage of NPLs.*
\# *Portfolio impairments as a percentage of the performing book.*

Credit impairments increased 5%, with the credit loss ratio remaining constant at 79 bps since December 2015 (June 2016: 84 bps), reflecting the deteriorating macroeconomic environment in South Africa. This resulted in an increase in specific impairments in certain portfolios and the creation of additional portfolio impairments during the period. Operational NPLs, excluding the impact of distressed debt reclassifications in FNB amounting to R1 090 million (refer to page 39), decreased 1%.

The total impairment coverage ratio reduced from 83.8% at December 2015 (June 2016: 78.2%) to 78.7%, reflecting the impact of paying debt review customers and the work-out and write-off of certain large corporate exposures, and a partial central overlay release.

The 2% increase in portfolio impairments was driven by book growth as well as the deteriorating macroenvironment in South Africa. The improvement in commodity prices over the last 12 months resulted in a significant reduction of impairments raised in RMB against its mining, and oil and gas lending portfolio.

KEY DRIVERS

- Retail NPLs as a % of advances increased to 3.7% (December 2015: 3.1%; June 2016: 3.5%), impacted by:
  - a marginal increase of R192 million in residential mortgage NPLs since December 2015, due to the R364 million reclassification from the D7 definition change. The turn of the cycle, resulting in lower cure rates and an increase in new NPL formation across the portfolio is expected to continue; and
  - an increase of 77% in FNB loans and 53% increase in card, reflecting the worsening macro environment, new business strain and the impact of the implementation of D7. Excluding D7, NPLs increased 28% and 16%, respectively, in these portfolios. On a rolling six-month basis, NPL formation in these portfolios moderated to 16% and 7%, reflecting the impact of more conservative credit origination over the last 12 months.
- Retail SA VAF and WesBank personal loans NPLs increased 18% and 22%, respectively. An increase in the proportion of restructured debt review accounts as well as the worsening credit cycle adversely impacted NPL formation.
- NPLs in MotoNovo (UK) increased 71% (GBP>100%), reflecting the maturing of the book and was expected given the strong book growth experienced over the last three financial years.
- Corporate NPLs decreased 46% (34% since June 2016). The decrease was specifically due to the work-out and write-off of certain large resource-related NPLs in the RMB investment banking advances book as well as certain WesBank corporate exposures which originated in previous reporting periods.
- FNB Commercial NPLs increased 34% reflecting strong book growth, an increase in agric NPLs as a result of the continued drought conditions and an increase in specialised finance NPLs.
- Post write-off recoveries remained robust at R1.054 billion (December 2015: R932 million; June 2016: R1.856 billion) driven by card, the unsecured retail lending portfolios and retail SA VAF.

SARB Directive 7 – Restructured debt review

As previously communicated, following the implementation of *SARB Directive 7* during the second half of the 2016 financial year, the bank took the opportunity to align FNB to WesBank's classification of unsecured lending restructured debt review customers as NPLs, which is even more stringent than the SARB requirements. As a result, the current period reflects all restructured FNB unsecured debt review customers as NPLs.

WesBank classifies all retail SA VAF restructured debt review clients as NPLs. For residential mortgages (secured loans), from the 2016 financial year, all performing (i.e. no instalment in arrears under the original contract) debt review customers are classified as arrears and debt review customers who are two months in arrears are relegated to NPLs when classified as debt review.

The consequence of this change in classification is minimal on the actual impairment charge. Debt review NPLs across all FNB retail portfolios, however, increased to R1 090 million period-on-period (R953 million at 30 June 2016).

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

The bank 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 curing requirements which allow paying customers to be reclassified to performing once at least six consecutive payments have been received.

The table below reflects the impact on NPLs in the current reporting period across the affected FNB portfolios and for the bank in total.

R million	Operational NPLs	Reclassified NPLs	Total NPLs	Total NPLs % increase	Operational NPLs % change
Residential mortgages	4 098	364	4 462	4	(4)
Card	618	196	814	53	16
Personal loans	882	344	1 226	77	28
Retail other	533	186	719	31	(3)
FNB retail NPLs	6 131	1 090	7 221	20	1
Total NPLs	17 344	1 090	18 434	5	(1)

The table below provides an analysis of coverage ratios between debt review and non-debt review NPLs.

	Debt review coverage			Non-debt review coverage			Total NPL coverage			
Coverage ratio (%)	Dec 2016	Jun 2016	Dec 2015*	Dec 2016	Jun 2016	Dec 2015*	Dec 2016	Jun 2016	Dec 2015*	Change
FNB credit card	**42.2**	43.0	–	**75.7**	76.0	71.8	**67.6**	67.3	71.8	↓
FNB retail other	**43.4**	43.0	–	**79.8**	75.6	78.3	**71.6**	70.4	78.3	↓
FNB loans**	**71.5**	66.7	–	**70.1**	70.1	77.3	**70.5**	71.3	77.3	↓
WesBank loans#	**31.4**	32.6	38.6	**69.1**	70.2	87.4	**39.4**	41.2	51.5	↓
SA VAF#	**17.0**	18.3	21.5	**40.9**	40.5	46.1	**28.6**	29.5	33.5	↓

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

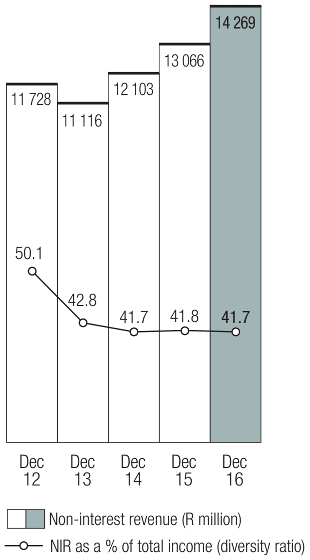
** *A revised debt review model is being recalibrated and will result in lower coverage in the loans portfolio.*

\# *The debt review coverage reduced due to the increasing proportion of older paying debt review accounts.*

NON-INTEREST REVENUE – UP 9%

NON-INTEREST REVENUE AND DIVERSITY RATIO

NIR CAGR 5%



Note: 2013 to 2016 figures have been prepared in terms of IFRS 10 and 11, and the revised IAS 19.

ANALYSIS OF NON-INTEREST REVENUE

		Six months ended 31 December			Year ended 30 June
R million	Notes	2016	2015	% change	2016
Fee and commission income	1	**11 083**	10 381	7	21 119
Markets, client and other fair value income	2	**1 533**	1 199	28	2 807
Investment income		**32**	44	(27)	91
Other non-interest revenue	3	**1 621**	1 442	12	3 244
Non-interest revenue		**14 269**	13 066	9	27 261

NIR growth was strong given the difficult macroeconomic environment.

Fee and commission income growth benefited from robust volume growth, specifically in electronic channels, combined with solid growth in customer numbers. Fee and commission income represents 78% (December 2015: 79%) of NIR.

NOTE 1 – FEE AND COMMISSION INCOME – UP 7%

	Six months ended 31 December			Year ended 30 June
R million	2016	2015	% change	2016
Bank commissions and fee income	**11 276**	10 551	7	21 342
– Card commissions	**1 725**	1 514	14	3 062
– Cash deposit fees	**854**	897	(5)	1 752
– Commissions on bills, drafts and cheques*	**1 087**	979	11	2 124
– Bank charges*, **	**7 610**	7 161	6	14 404
Knowledge-based fees	**727**	545	33	1 337
Management and fiduciary fees	**370**	350	6	683
Insurance income	**489**	514	(5)	1 032
Other non-bank commission*	**310**	303	2	638
Gross fee and commission income	**13 172**	12 263	7	25 032
Fee and commission expenditure	**(2 089)**	(1 882)	11	(3 913)
Total fee and commission income	**11 083**	10 381	7	21 119

* *Bank charges which better relate to commissions on bills, drafts and cheques have been reallocated in prior periods.*
** *Bank charges include annual and monthly administrative fees, fees for customer transaction (processing (e.g. SASwitch fees), cash withdrawal fees, debit order charges, internet banking fees and utilisation of other banking services.*

KEY DRIVERS

- FNB grew NIR 6%, driven by increased cross-sell into the client base, as well as growth in the main-banked client base, specifically in premium (+8%) and business (+15%). There was a negative impact on total fee income growth from a reduction in cash deposit fees and higher reward costs linked to the e-migration and cross-sell strategy.
- The strategy of migrating customers out of branches to electronic channels remains successful, but impacted absolute NIR growth negatively through lower fee levels. In addition, through the simplification of the product offering and pricing strategies in the consumer segment, fee income growth was curtailed by c.R250 million.
- Transaction volume growth remained robust at 11%. Electronic volumes increased 12%, whilst manual volumes grew 2%.

	Increase in transaction volumes %
Mobile (excluding prepaid)	**26**
Internet banking	**11**
Cheque card	**10**
Banking app	**80**
ADT/ATM cash deposits	**18**

- Knowledge-based fees remained robust, underpinned by key lending transactions and underwriting mandates.

NOTE 2 – MARKETS, CLIENT AND OTHER FAIR VALUE INCOME – UP 28%

	Six months ended 31 December			Year ended 30 June
R million	2016	2015	% change	2016
Client	**699**	521	34	1 201
Markets	**483**	561	(14)	1 532
Other	**351**	117	`>100	74
Total	**1 533**	1 199	28	2 807

KEY DRIVERS

- Client revenues remained resilient with the structuring business posting a strong performance, emanating from notable client-driven solutions, as well as the non-repeat of a specific credit event related to a client impacted by the foreign exchange volatility in the comparative period.
- Flow trading and residual risk activities delivered a balanced performance across asset classes relative to the previous reporting period that was impacted by heightened levels of volatility in foreign exchange, fixed income and credit trading markets. This was coupled with a strong commodities performance which benefited from increased prices and sustained demand.
- The increase in other fair value income was driven by:
  - an increase in the net TRS fair value income (impacted by the R8.33 increase in the group's share price during the current period compared to the R10.95 decrease in the prior period, the number of shares hedged through the TRS, and the grant values and vesting of the various schemes); and
  - foreign currency valuation differences resulting from the securitisation transactions which will reverse over the duration of the transaction.

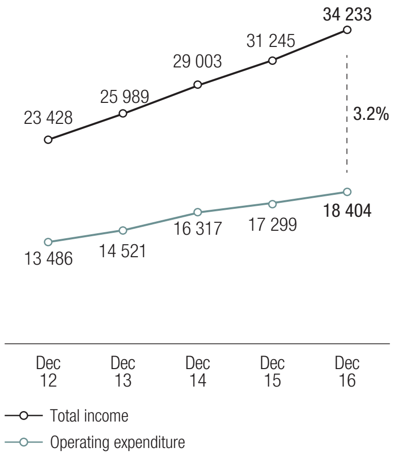
NOTE 3 – OTHER NON-INTEREST INCOME – UP 12%

KEY DRIVERS

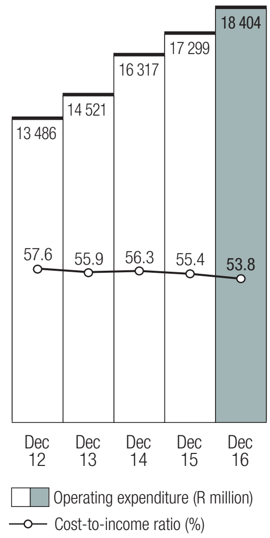
- The most significant other non-interest income items relate to various rental income streams. Rental income in WesBank and FNB showed strong growth, with WesBank in particular showing strong growth in full maintenance lease new business.

OPERATING EXPENSES – UP 6%

OPERATING JAWS
R million



OPERATING EFFICIENCY



Note: 2013 to 2016 figures have been prepared in terms of IFRS 10 and 11, and the revised IAS 19.

OPERATING EXPENSES

	Six months ended 31 December			Year ended 30 June
R million	2016	2015	% change	2016
Staff expenditure	**10 432**	10 153	3	20 724
– Direct staff expenditure*	**7 322**	6 751	8	13 737
– Other staff-related expenditure*	**3 110**	3 402	(9)	6 987
Depreciation of property and equipment	**1 127**	947	19	1 989
Amortisation of intangible assets	**29**	16	81	46
Advertising and marketing	**612**	519	18	1 025
Insurance	**120**	108	11	225
Lease charges	**644**	580	11	1 189
Professional fees	**812**	755	8	1 521
Audit fees	**122**	144	(15)	288
Computer expenses	**989**	800	24	1 577
Repairs and maintenance	**539**	486	11	1 070
Telecommunications	**133**	126	6	251
Cooperation agreements and joint ventures	**284**	349	(19)	579
Property	**409**	383	7	767
Business travel	**170**	179	(5)	350
Other expenditure	**1 982**	1 754	13	3 791
Total operating expenses	**18 404**	17 299	6	35 392

* *Prior period numbers are restated to reflect the change in the treatment of retirement benefit contributions due to amended legislation.*

KEY DRIVERS

- Cost growth slowed to 6%, primarily driven by lower increases in staff costs linked to a lower level of income generation during the period.

	% change	Reasons
Direct staff costs	8	Impacted by unionised increases at an average of 7.8% in August 2016.
Other staff-related expenditure	(9)	The decrease was driven by a reduction in variable staff costs related to lower levels of profitability and NIACC in the current period. Normalised share-based payment expenses increased marginally given the increase in the group's share price.

- The 19% increase in depreciation was impacted by strong growth in WesBank's full maintenance lease book, continuing investment in infrastructure (e.g. ATMs/ADTs), ongoing investment in electronic platforms and commissioning of new premises over the previous three financial years.
- The 8% growth in professional fees and 24% growth in computer expenses reflect continued spend on licencing fees, projects related to various electronic platforms and infrastructure upgrades, as well additional compliance-related projects.
- Advertising and marketing costs increased substantially due to market segment-focused advertising campaigns on TV, radio and the internet across the franchises, most significantly in FNB.
- The increase in maintenance costs relates mainly to the growth in WesBank's full maintenance lease business.
- Growth in lease charges were driven by increased property and equipment rental.

balance sheet analysis and financial resource management

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ECONOMIC VIEW OF THE BALANCE SHEET

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

When assessing the underlying risk in the balance sheet, the bank's asset profile is dominated by a balanced advances portfolio, which constitutes 77% of total assets. The composition of the net advances portfolio consists of retail secured (39%), retail unsecured (8%), corporate and commercial (50%) and rest of Africa and other (3%) with 94% of advances rated B or better. Total NPLs were R18.4 billion (2.36% as a percentage of advances) with a credit loss ratio of 0.79%.

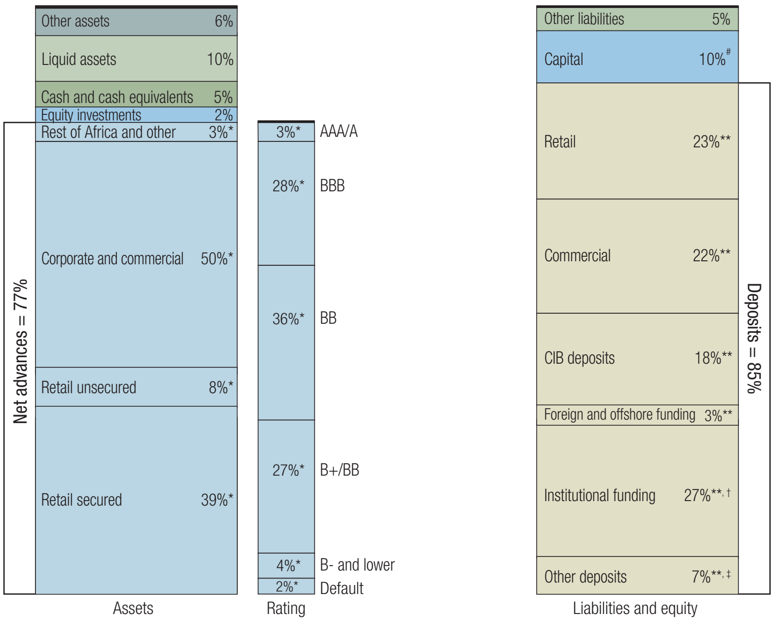
Cash and cash equivalents, and liquid assets represent 5% and 10%, respectively, of total assets. Only a small portion of assets relate to the investment and markets businesses. Market risk arising from trading activities has remained low.

FRB's funding profile continues to reflect the structural funding issues associated with the South African banking sector, however, the bank has continued to improve its risk-adjusted funding profile whilst targeting a lower proportion of institutional funding relative to peers. The weighted average remaining term of the bank's institutional funding was 32 months at 31 December 2016 (December 2015: 33 months).

The bank's capital ratios remained strong with the CET1 ratio 14.1%, Tier 1 ratio 14.5% and total capital adequacy ratio 17.7%. Gearing decreased to 13.0 times (December 2015: 13.4 times).

ECONOMIC VIEW OF THE BALANCE SHEET

%



* As a proportion of loans and advances.
** As a proportion of deposit franchise.
\# Ordinary equity (8%) and NCNR preference shares and Tier 2 liabilities (2%).
† Includes CIB institutional funding and foreign branch platform.
‡ Consists of liabilities relating to conduits and securitisation.

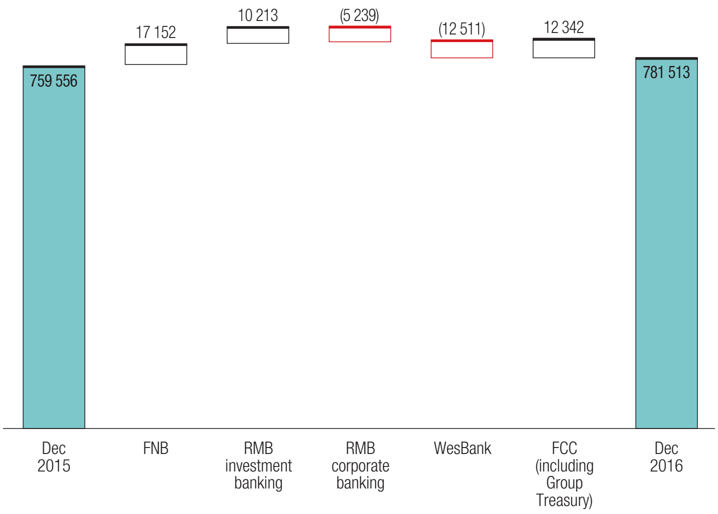
Note: Non-recourse assets have been netted off against deposits.
Derivative-, securities lending- and short trading position assets and liabilities have been netted off.

Disclosures relating to the deposit split were previously based on a risk counterparty view. This has been refined to align to a finance product and segment view. 'Other' comprises collateral received and repurchase agreements.

ADVANCES – UP 3%

GROSS ADVANCES GROWTH BY FRANCHISE

R million



ADVANCES

R million	As at 31 December 2016	As at 31 December 2015	% change	As at 30 June 2016
Gross advances	**781 513**	759 556	3	778 906
Impairment of advances	**(14 500)**	(14 680)	(1)	(14 818)
Normalised net advances	**767 013**	744 876	3	764 088

Advances growth slowed to 3% during the reporting period from the 8% for the year ended 30 June 2016. This was partly driven by the strengthening of the rand against the US dollar and British pound period-on-period. On a constant-currency basis, the bank achieved 5% advances growth.

Growth rates moderated across all retail portfolios compared to the comparative period as well as on a rolling six-month basis, reflecting the impact of the continued deterioration in the South African macroeconomic environment as well as higher interest rates and the group's resultant reduced risk appetite.

The constrained macroeconomic environment, higher funding costs and disciplined financial resource allocation continued to place pressure on the corporate portfolio. Despite this, the portfolio produced solid balance sheet growth during the reporting period.

Rand growth rates in the MotoNovo (UK) and IBD cross-border advances books were negatively impacted by the appreciation of the rand against the US dollar and British pound period-on-period.

PORTFOLIO/ PRODUCT	% CHANGE	KEY DRIVERS
FNB retail	**4**	
Residential mortgages	3	➲ 2% growth in FNB HomeLoans, reflecting a slowdown in nominal house price inflation and lower demand. ➲ Satisfactory growth of 10% in secured affordable housing on the back of client demand.
Card	8	➲ Underpinned by targeted client acquisition, increased client migration as well as increased limits and utilisation in the premium segment. Growth in consumer card has been marginally negative given reduced risk appetite.
Personal loans	6	➲ Growth slowed markedly from 19% in the six months to December 2015 reflecting a more conservative origination appetite since November 2015. On a rolling six-month basis, book growth has been flat.
Retail other	9	➲ Growth driven by increases in transactional banking accounts (primarily overdrafts), although moderating from the prior period, reflecting lower risk appetite and slowing customer cross-sell levels.
FNB commercial	**11**	➲ Reflecting targeted new client acquisition in the business segment, resulting in growth of 16% in agric, 12% in commercial property finance and 9% in leveraged finance advances.
RMB CIB core	**7**	➲ Growth from the SA core advances book was solid in spite of the constrained macroeconomic environment and competitive pressures. Cross-border growth was up 17% in USD terms (flat since June 2016), impacted by drawdowns of pre-existing facilities and targeted new credit extension. In rand terms, the cross-border book increased 2% period-on-period. ➲ RMB's HQLA advances (from a LCR perspective) grew 23% period-on-period and is managed by the Group Treasurer.
WesBank	**(7)**	➲ Overall reported advances growth in WesBank declined 7%, impacted by: – slower new business volume growth of 1% in retail SA VAF, impacted by the 11% decrease in new vehicle sales; – lower new business origination growth of 10% in WesBank loans, reflecting a reduction in risk appetite given the macroeconomic environment; – the negative impact of the appreciation of the rand against the British pound; and – WesBank entered into two securitisations amounting to more than R16 billion (Turbo Finance 7 and FAST) over the last 12 months. ➲ Strong growth of 27% in GBP terms in new business volumes in MotoNovo (UK) (18% in rand), driven by increased volumes, new products and increased footprint. Growth rates moderated towards the end of the reporting period reflecting tightening of credit criteria in higher risk origination buckets. Absolute advance growth in MotoNovo (UK) was, however, limited to 7%, impacted by the Turbo Finance 7 securitisation of c.GBP585 million during the period. ➲ Corporate new business volumes contracted 13%, reflecting the difficult macroeconomic environment.

CREDIT

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

CREDIT HIGHLIGHTS AT A GLANCE

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

		Six months ended 31 December			Year ended 30 June
R million	Notes	**2016**	2015	% change	2016
Total gross advances	1	**781 513**	759 556	3	778 906
NPLs	2	**18 434**	17 522	5	18 953
NPLs as a % of advances	2	**2.36**	2.31		2.43
Impairment charge	3	**3 087**	2 933	5	6 255
Credit loss ratio (%)	3	**0.79**	0.79		0.84
Total impairments	4	**14 500**	14 680	(1)	14 818
– Portfolio impairments	4	**7 456**	7 311	2	7 510
– Specific impairments	4	**7 044**	7 369	(4)	7 308
Specific coverage ratio (%)*	4	**38.2**	42.1		38.6
Total impairments coverage ratio (%)**	4	**78.7**	83.8		78.2
Performing book coverage ratio (%)#		**0.98**	0.99		0.99

* *Specific impairments as a percentage of NPLs.*
** *Total impairments as a percentage of NPLs.*
# *Portfolio impairments as a percentage of the performing book.*

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

NOTE 1: ANALYSIS OF ADVANCES

SEGMENTAL ANALYSIS OF ADVANCES

	Advances				
	As at 31 December			% composition	As at 30 June
R million	**2016**	2015	% change	**2016**	2016
Retail	**370 250**	370 854	–	**47**	379 321
Retail – secured	**305 945**	311 415	(2)	**39**	316 696
Residential mortgages	**191 693**	186 217	3	**24**	189 453
VAF	**114 252**	125 198	(9)	**15**	127 243
– SA	**92 016**	96 748	(5)	**12**	98 377
– MotoNovo (UK)*	**22 236**	28 450	(22)	**3**	28 866
Retail – unsecured	**64 305**	59 439	8	**8**	62 625
Card	**22 495**	20 855	8	**3**	21 968
Personal loans	**26 899**	24 895	8	**3**	26 313
– FNB	**14 431**	13 630	6	**2**	14 443
– WesBank	**12 468**	11 265	11	**1**	11 870
Retail other	**14 911**	13 689	9	**2**	14 344
Corporate and commercial	**387 196**	373 321	4	**50**	378 224
FNB commercial	**80 349**	72 262	11	**10**	77 941
WesBank corporate	**28 485**	31 253	(9)	**4**	29 161
RMB investment banking	**220 842**	210 629	5	**28**	216 383
RMB corporate banking	**38 658**	43 897	(12)	**5**	34 442
HQLA corporate advances**	**18 862**	15 280	23	**3**	20 297
FNB Africa#	**559**	633	(12)	**–**	761
FCC (including Group Treasury)	**23 508**	14 748	59	**3**	20 600
Securitisation notes	**17 812**	9 879	80	**2**	14 641
Other	**5 696**	4 869	17	**1**	5 959
Total advances	**781 513**	759 556	3	**100**	778 906
Of which:					
Accrual book	**535 137**	529 561	1	**68**	532 530
Fair value book†	**246 376**	229 995	7	**32**	246 376

* *MotoNovo (UK) book GBP1.32 billion (7%) (June 2016: GBP1.47 billion).*

** *Managed by the Group Treasurer.*

Includes FNB's activities in India.

† *Including advances classified as available-for-sale.*

The table below reflects assets under agreements to resell included in the RMB corporate and investment banking loan books.

	Advances				
	As at 31 December			% composition	As at 30 June
R million	**2016**	2015	% change	**2016**	2016
Corporate and investment banking advances	**259 500**	254 526	2	**100**	250 825
Less: assets under agreements to resell	**(30 246)**	(39 439)	(23)	**(12)**	(40 818)
RMB advances net of assets under agreements to resell	**229 254**	215 087	7	**88**	210 007

SECTOR AND GEOGRAPHICAL ANALYSIS OF ADVANCES

	Advances				
	As at 31 December			% composition	As at 30 June
R million	**2016**	2015	% change	**2016**	2016
Gross advances	**783 170**	760 998	3	**100**	780 374
Less: interest in suspense	**(1 657)**	(1 442)	15	**–**	(1 468)
Advances net of interest in suspense	**781 513**	759 556	3	**100**	778 906
Sector analysis					
Agriculture	**29 365**	26 115	12	**4**	28 032
Banks	**5 297**	10 886	(51)	**1**	10 674
Financial institutions	**101 433**	92 763	9	**13**	101 303
Building and property development	**48 154**	36 064	34	**6**	39 315
Government, Land Bank and public authorities	**22 220**	19 303	15	**3**	19 524
Individuals	**340 054**	359 434	(5)	**43**	366 556
Manufacturing and commerce	**90 001**	90 807	(1)	**12**	86 185
Mining	**16 100**	22 650	(29)	**2**	16 426
Transport and communication	**16 994**	19 623	(13)	**2**	19 320
Other services	**111 895**	81 911	37	**14**	91 571
Total advances	**781 513**	759 556	3	**100**	778 906
Geographic analysis					
South Africa	**716 763**	686 632	4	**92**	708 002
Other Africa	**26 551**	29 853	(11)	**3**	25 740
UK	**26 189**	32 883	(20)	**3**	32 255
Other Europe	**4 725**	5 689	(17)	**1**	6 155
North America	**2 690**	693	>100	**–**	798
South America	**16**	1 068	(99)	**–**	952
Australasia	**19**	1	>100	**–**	409
Asia	**4 560**	2 737	67	**1**	4 595
Total advances	**781 513**	759 556	3	**100**	778 906

NOTE 2: ANALYSIS OF NPLs

SEGMENTAL ANALYSIS OF NPLs

Refer to page 39 for additional information on the implementation of D7 and NPL formation.

	NPLs					NPLs as a % of advances		
	As at 31 December			% com-position	As at 30 June	As at 31 December		As at 30 June
R million	**2016**	2015	% change	**2016**	2016	**2016**	2015	2016
Retail	**13 750**	11 501	20	**75**	13 380	**3.71**	3.10	3.53
Retail – secured	**9 753**	8 717	12	**53**	9 647	**3.19**	2.80	3.05
Residential mortgages	**4 462**	4 270	4	**24**	4 664	**2.33**	2.29	2.46
VAF	**5 291**	4 447	19	**29**	4 983	**4.63**	3.55	3.92
– SA	**5 094**	4 332	18	**28**	4 857	**5.54**	4.48	4.94
– MotoNovo (UK)*	**197**	115	71	**1**	126	**0.89**	0.40	0.44
Retail – unsecured	**3 997**	2 784	44	**22**	3 733	**6.22**	4.68	5.96
Card	**814**	531	53	**4**	759	**3.62**	2.55	3.46
Personal loans	**2 464**	1 704	45	**14**	2 187	**9.16**	6.84	8.31
– FNB	**1 226**	691	77	**7**	1 059	**8.50**	5.07	7.33
– WesBank	**1 238**	1 013	22	**7**	1 128	**9.93**	8.99	9.50
Retail other	**719**	549	31	**4**	787	**4.82**	4.01	5.49
Corporate and commercial	**4 552**	5 920	(23)	**24**	5 432	**1.18**	1.59	1.44
FNB commercial	**2 235**	1 663	34	**12**	1 941	**2.78**	2.30	2.49
WesBank corporate	**267**	384	(30)	**1**	302	**0.94**	1.23	1.04
RMB investment banking	**1 979**	3 740	(47)	**11**	3 073	**0.90**	1.78	1.42
RMB corporate banking	**71**	133	(47)	**–**	116	**0.18**	0.30	0.34
HQLA corporate advances**	**–**	–	–	**–**	–	**–**	–	–
FNB Africa#	**132**	101	31	**1**	141	**23.61**	15.96	18.53
FCC (including Group Treasury)	**–**	–	–	**–**	–	**–**	–	–
Securitisation notes	**–**	–	–	**–**	–	**–**	–	–
Other	**–**	–	–	**–**	–	**–**	–	–
Total NPLs	**18 434**	17 522	5	**100**	18 953	**2.36**	2.31	2.43
Of which:								
Accrual book	**16 876**	14 379	17	**92**	16 321	**3.15**	2.72	3.06
Fair value book	**1 558**	3 143	(50)	**8**	2 632	**0.63**	1.37	1.07

* *MotoNovo (UK) NPLs of GBP12 million (>100%) (June 2016: GBP6 million).*
** *Managed by the Group Treasurer.*
# *Includes FNB's activities in India.*

SECTOR AND GEOGRAPHIC ANALYSIS OF NPLs

	NPLs					NPLs as a % of advances		
	As at 31 December			% composition	As at 30 June	As at 31 December		As at 30 June
R million	**2016**	2015	% change	**2016**	2016	**2016**	2015	2016
Sector analysis								
Agriculture	**580**	278	>100	**3**	394	**1.98**	1.06	1.41
Banks	**–**	–	–	**–**	41	**–**	–	0.38
Financial institutions	**121**	86	41	**1**	91	**0.12**	0.09	0.09
Building and property development	**1 348**	1 355	(1)	**7**	1 237	**2.80**	3.76	3.15
Government, Land Bank and public authorities	**14**	8	75	**–**	12	**0.06**	0.04	0.06
Individuals	**12 830**	11 159	15	**70**	13 027	**3.77**	3.10	3.55
Manufacturing and commerce	**784**	849	(8)	**4**	765	**0.87**	0.93	0.89
Mining	**1 073**	2 638	(59)	**6**	2 013	**6.66**	11.65	12.25
Transport and communication	**207**	119	74	**1**	195	**1.22**	0.61	1.01
Other services	**1 477**	1 030	43	**8**	1 178	**1.32**	1.26	1.29
Total NPLs	**18 434**	17 522	5	**100**	18 953	**2.36**	2.31	2.43
Geographic analysis								
South Africa	**17 088**	15 865	8	**93**	16 675	**2.38**	2.31	2.36
Other Africa	**595**	846	(30)	**3**	1 569	**2.24**	2.83	6.10
UK	**197**	115	71	**1**	126	**0.75**	0.35	0.39
Other Europe	**16**	63	(75)	**–**	62	**0.34**	1.11	1.01
North America	**405**	389	4	**2**	379	**15.06**	56.13	47.49
South America	**–**	145	–	**–**	–	**–**	13.58	–
Australasia	**–**	–	–	**–**	–	**–**	–	–
Asia	**133**	99	34	**1**	142	**2.92**	3.62	3.09
Total NPLs	**18 434**	17 522	5	**100**	18 953	**2.36**	2.31	2.43

SECURITY AND RECOVERABLE AMOUNTS BY PORTFOLIO

	As at 31 December 2016			As at 31 December 2015			As at 30 June 2016		
R million	NPLs	Security held and expected recoveries	Specific impair-ment	NPLs	Security held and expected recoveries	Specific impair-ment	NPLs	Security held and expected recoveries	Specific impair-ment
Retail	**13 750**	**8 768**	**4 982**	11 501	7 180	4 321	13 380	8 566	4 814
Retail – secured	**9 753**	**7 188**	**2 565**	8 717	6 263	2 454	9 647	7 118	2 529
Residential mortgages	**4 462**	**3 474**	**988**	4 270	3 335	935	4 664	3 647	1 017
VAF	**5 291**	**3 714**	**1 577**	4 447	2 928	1 519	4 983	3 471	1 512
– SA	**5 094**	**3 637**	**1 457**	4 332	2 882	1 450	4 857	3 422	1 435
– MotoNovo (UK)	**197**	**77**	**120**	115	46	69	126	49	77
Retail – unsecured	**3 997**	**1 580**	**2 417**	2 784	917	1 867	3 733	1 448	2 285
Card	**814**	**264**	**550**	531	150	381	759	248	511
Personal loans	**2 464**	**1 112**	**1 352**	1 704	648	1 056	2 187	967	1 220
– FNB	**1 226**	**362**	**864**	691	157	534	1 059	304	755
– WesBank	**1 238**	**750**	**488**	1 013	491	522	1 128	663	465
Retail other	**719**	**204**	**515**	549	119	430	787	233	554
Corporate and commercial	**4 552**	**2 584**	**1 968**	5 920	2 948	2 972	5 432	3 034	2 398
FNB commercial	**2 235**	**1 213**	**1 022**	1 663	671	992	1 941	993	948
WesBank corporate	**267**	**106**	**161**	384	148	236	302	128	174
RMB investment banking	**1 979**	**1 229**	**750**	3 740	2 066	1 674	3 073	1 842	1 231
RMB corporate banking	**71**	**36**	**35**	133	63	70	116	71	45
HQLA corporate advances*	**–**	**–**	**–**	–	–	–	–	–	–
FNB Africa**	**132**	**38**	**94**	101	25	76	141	45	96
FCC (including Group Treasury)	**–**	**–**	**–**	–	–	–	–	–	–
Securitisation notes	**–**	**–**	**–**	–	–	–	–	–	–
Other	**–**	**–**	**–**	–	–	–	–	–	–
Total	**18 434**	**11 390**	**7 044**	17 522	10 153	7 369	18 953	11 645	7 308

* *Managed by the Group Treasurer.*
** *Includes FNB's activities in India.*

NOTE 3: ANALYSIS OF INCOME STATEMENT CREDIT IMPAIRMENTS

INCOME STATEMENT IMPAIRMENTS

The bad debt charge remained constant at 79 bps at December 2016.

	Total impairment charge				As a % of average advances#			
	Six months ended 31 December			Year ended 30 June	Six months ended 31 December		Year ended 30 June	Six months ended 30 June
R million	**2016**	2015	% change	2016	**2016**	2015	2016	2016
Retail	**2 909**	2 383	22	5 464	**1.55**	1.32	1.49	1.64
Retail – secured	**1 040**	924	13	2 118	**0.67**	0.61	0.69	0.76
Residential mortgages	**132**	159	(17)	414	**0.14**	0.17	0.22	0.27
VAF	**908**	765	19	1 704	**1.50**	1.27	1.40	1.49
– SA	**686**	628	9	1 366	**1.44**	1.30	1.41	1.51
– MotoNovo (UK)	**222**	137	62	338	**1.74**	1.11	1.36	1.40
Retail – unsecured	**1 869**	1 459	28	3 346	**5.89**	5.12	5.71	6.18
Card	**289**	220	31	565	**2.60**	2.18	2.73	3.22
Personal loans	**1 070**	893	20	2026	**8.04**	7.48	8.24	8.85
– FNB	**565**	440	28	1051	**7.83**	6.77	7.84	8.71
– WesBank	**505**	453	11	975	**8.30**	8.34	8.73	9.03
Retail other	**510**	346	47	755	**6.97**	5.32	5.66	5.84
Corporate and commercial	**422**	714	(41)	1 088	**0.22**	0.40	0.30	0.20
FNB commercial	**263**	202	30	390	**0.66**	0.58	0.53	0.50
WesBank corporate	**23**	24	(4)	22	**0.16**	0.16	0.07	(0.01)
RMB investment banking	**99**	453	(78)	514	**0.09**	0.43	0.24	0.06
RMB corporate banking	**37**	35	6	162	**0.20**	0.18	0.48	0.65
HQLA corporate advances*	**–**	–	–	–	**–**	–	–	–
FNB Africa**	**6**	1	>100	(2)	**1.82**	0.37	(0.33)	(0.86)
FCC (including Group Treasury)#	**(250)**	(165)	52	(295)	**(0.06)**	(0.04)	(0.04)	(0.03)
Securitisation notes	**–**	–	–	–	**–**	–	–	–
Other	**(250)**	(165)	52	(295)	**(0.06)**	(0.04)	(0.04)	(0.03)
Total impairment charge	**3 087**	2 933	5	6 255	**0.79**	0.79	0.84	0.86
Of which:								
Portfolio impairment charge	**(31)**	149	(>100)	565	**(0.01)**	0.04	0.08	0.11
Specific impairment charge	**3 118**	2 784	12	5 690	**0.80**	0.75	0.76	0.75

* *Managed by the Group Treasurer.*
** *Includes FNB's activities in India.*
\# *Percentages calculated on total average advances.*

NOTE 4: ANALYSIS OF BALANCE SHEET IMPAIRMENTS AND COVERAGE RATIOS

The group constantly monitors market conditions as well as recent and expected recoveries on NPLs to determine coverage ratios.

IMPLIED LOSS GIVEN DEFAULT AND TOTAL IMPAIRMENT COVERAGE RATIOS

	Balance sheet impairments				Coverage ratios (% of NPLs)		
	As at 31 December			Year ended 30 June	As at 31 December		Year ended 30 June
R million	**2016**	2015	% change	2016	**2016**	2015	2016
Specific impairments							
Retail	**4 982**	4 321	15	4 814	**36.2**	37.6	36.0
Retail – secured	**2 565**	2 454	5	2 529	**26.3**	28.2	26.2
Residential mortgages	**988**	935	6	1 017	**22.1**	21.9	21.8
VAF*	**1 577**	1 519	4	1 512	**29.8**	34.2	30.3
– SA	**1 457**	1 450	–	1 435	**28.6**	33.5	29.5
– MotoNovo (UK)*	**120**	69	74	77	**60.9**	60.0	61.1
Retail – unsecured	**2 417**	1 867	29	2 285	**60.5**	67.1	61.2
Card*	**550**	381	44	511	**67.6**	71.8	67.3
Personal loans*	**1 352**	1 056	28	1 220	**54.9**	62.0	55.8
– FNB	**864**	534	62	755	**70.5**	77.3	71.3
– WesBank	**488**	522	(7)	465	**39.4**	51.5	41.2
Retail other*	**515**	430	20	554	**71.6**	78.3	70.4
Corporate and commercial	**1 968**	2 972	(34)	2 398	**43.2**	50.2	44.1
FNB commercial	**1 022**	992	3	948	**45.7**	59.7	48.8
WesBank corporate	**161**	236	(32)	174	**60.3**	61.5	57.6
RMB investment banking	**750**	1 674	(55)	1 231	**37.9**	44.8	40.1
RMB corporate banking	**35**	70	(50)	45	**49.3**	52.6	38.8
HQLA corporate advances**	**–**	–	–	–	**–**	–	–
FNB Africa#	**94**	76	24	96	**71.2**	75.2	68.1
FCC (including Group Treasury)	**–**	–	–	–	**–**	–	–
Securitisation notes	**–**	–	–	–	**–**	–	–
Other	**–**	–	–	–	**–**	–	–
Total specific impairments/implied loss given default†	**7 044**	7 369	(4)	7 308	**38.2**	42.1	38.6
Portfolio impairments‡	**7 456**	7 311	2	7 510	**40.4**	41.7	39.6
Total impairments/total impairment coverage ratio^	**14 500**	14 680	(1)	14 818	**78.7**	83.8	78.2

* *The coverage ratio has reduced due to restructured debt review accounts. These accounts are reported in NPLs even though the clients may be fully performing in terms of the revised repayment terms, subject to monitoring under the group framework.*

** *Managed by the Group Treasurer.*

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

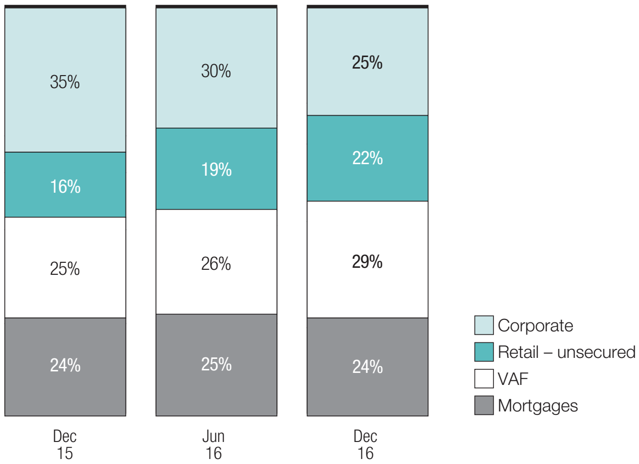
† *Specific impairments as a percentage of NPLs.*

‡ *Portfolio impairments as a percentage of NPLs.*

^ *Total impairments as a percentage of NPLs.*

The graph below provides the NPL distribution across all portfolios, showing decreases in the proportion of corporate and residential mortgages and an increase in VAF and retail unsecured lending over the last three reporting periods.

NPL DISTRIBUTION



RECONCILIATION OF IMPAIRMENTS

The following table provides an analysis of the balance sheet impairments.

BALANCE SHEET IMPAIRMENTS

	Amortised cost book			Fair value book			Total book		
	As at 31 December		As at 30 June	As at 31 December		As at 30 June	As at 31 December		As at 30 June
R million	**2016**	2015	2016	**2016**	2015	2016	**2016**	2015	2016
Non-performing book	**6 497**	5 874	6 243	**547**	1 495	1 065	**7 044**	7 369	7 308
Performing book	**5 125**	4 947	5 156	**2 331**	2 364	2 354	**7 456**	7 311	7 510
Total impairments	**11 622**	10 821	11 399	**2 878**	3 859	3 419	**14 500**	14 680	14 818

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

BALANCE SHEET SPECIFIC IMPAIRMENTS – AMORTISED COST

	As at 31 December			As at 30 June
R million	**2016**	2015	% change	2016
Opening balance	**6 243**	5 239	19	5 239
Reclassifications and transfers	**2**	(7)	(>100)	86
Acquisitions	**16**	6	>100	(23)
Exchange rate difference	**(32)**	26	(>100)	7
Unwinding and discounted present value on NPLs	**(48)**	(43)	12	(77)
Bad debts written off	**(3 799)**	(2 868)	32	(6 451)
Net new impairments created	**4 115**	3 521	17	7 462
Closing balance	**6 497**	5 874	11	6 243

The bank's income statement charge continues to benefit from increased post write-off recoveries in the retail book.

INCOME STATEMENT IMPAIRMENTS

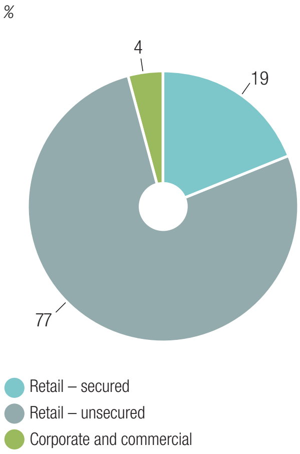
The following table provides an analysis of the income statement impact of the impairment charge.

	Six months ended 31 December			Year ended 30 June
R million	**2016**	2015	% change	2016
Specific impairment charge	**4 115**	3 521	17	7 462
Recoveries of bad debts written off	**(1 054)**	(932)	13	(1 856)
Net specific impairment charge (amortised cost)	**3 061**	2 589	18	5 606
Portfolio impairment charge (amortised cost)	**(23)**	69	(>100)	392
Credit fair value adjustments	**49**	275	(82)	257
– Non-performing book	**56**	195	(71)	85
– Performing book	**(7)**	80	(>100)	172
Total impairments	**3 087**	2 933	5	6 255

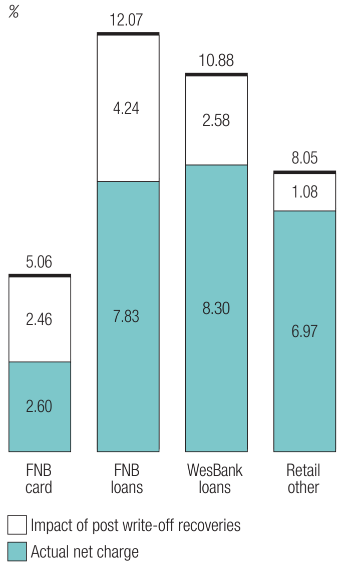
IMPACT OF POST WRITE-OFF RECOVERIES

Post write-off recoveries amounted to R1 054 million (December 2015: R932 million), primarily emanating from the unsecured retail lending portfolio, specifically FNB loans and FNB card.

POST WRITE-OFF RECOVERIES SPLIT



RETAIL CREDIT LOSS RATIOS AND RECOVERIES

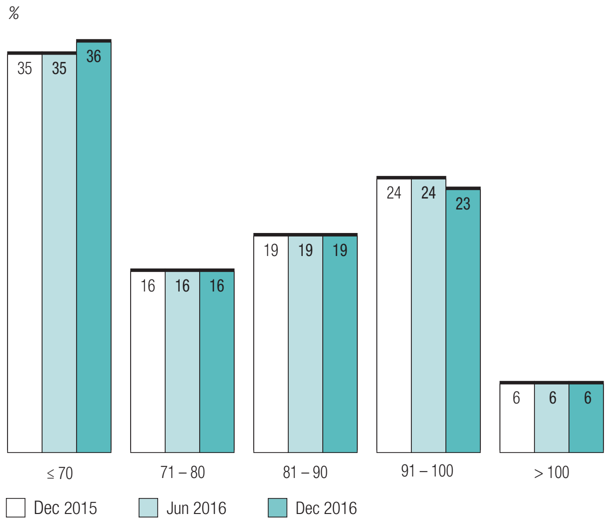


RISK ANALYSES

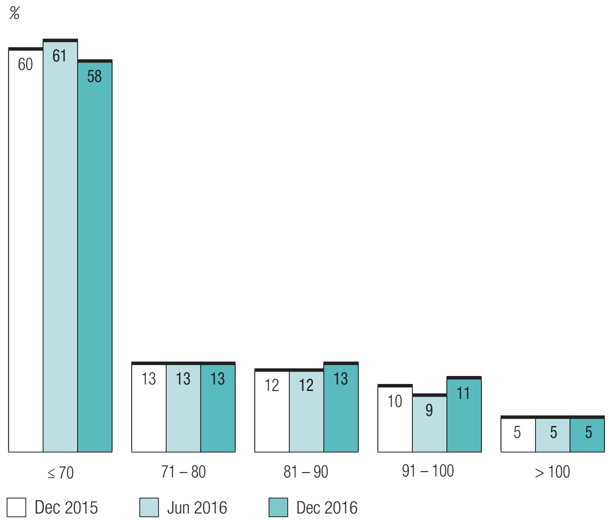
The graphs below provide loan balance-to-value ratios and age distributions of residential mortgages.

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

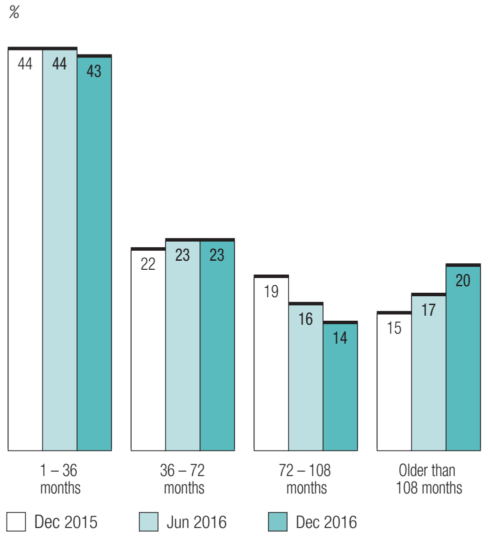
RESIDENTIAL MORTGAGES BALANCE-TO-ORIGINAL VALUE



RESIDENTIAL MORTGAGES BALANCE-TO-MARKET VALUE

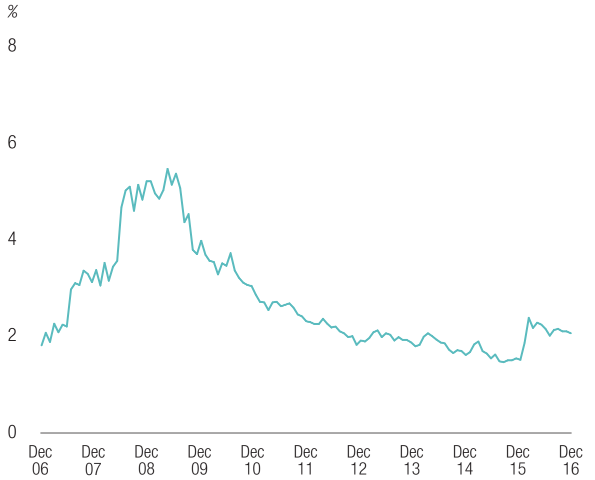


RESIDENTIAL MORTGAGES AGE DISTRIBUTION



The following graph shows arrears in the FNB HomeLoans portfolio. It includes arrears where more than one full payment is in arrears expressed as a percentage of total advances. The increase over the previous 12-month period reflects the reclassification of restructured debt review NPLs as explained on page 39.

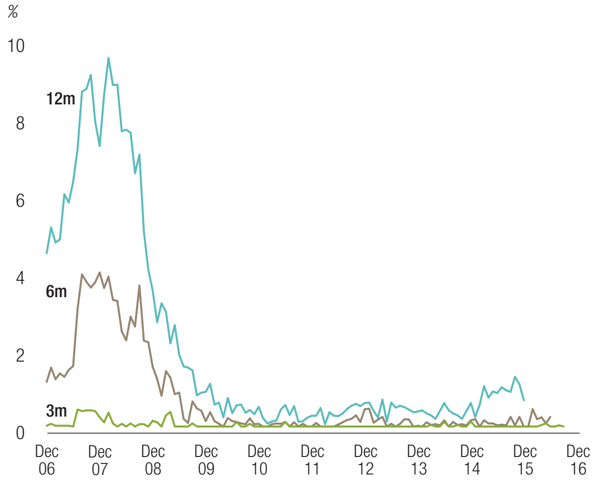
FNB HOMELOANS ARREARS



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

Vintages in FNB HomeLoans have increased marginally from previous record low levels. The increase is attributed to the interest rate hiking cycle and the resultant impact on consumers. Coupled with job losses and other challenges in the macroeconomic environment, this has caused a slight increase in the vintages.

FNB HOMELOANS VINTAGE ANALYSIS

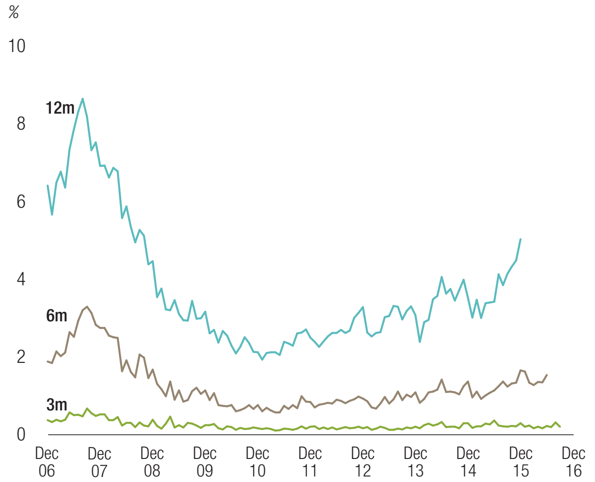


Credit *continued*

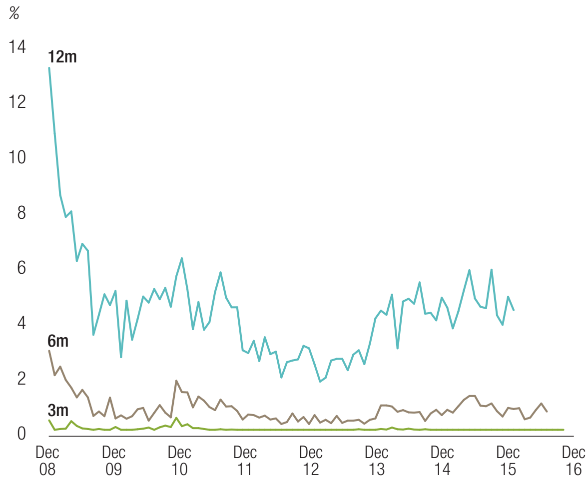
The retail SA VAF cumulative vintage analysis remained well below 2007 levels. More recently vintages are reflecting continued increases as expected given the challenging macroeconomic environment. Risk appetite has been adjusted, with a continued focus on originating a portfolio weighted towards quality, low-risk business. Vintage deterioration is closely monitored and credit parameters adjusted to ensure that performance remains in line with expectations when considering the credit cycle.

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

WESBANK RETAIL VAF VINTAGE ANALYSIS



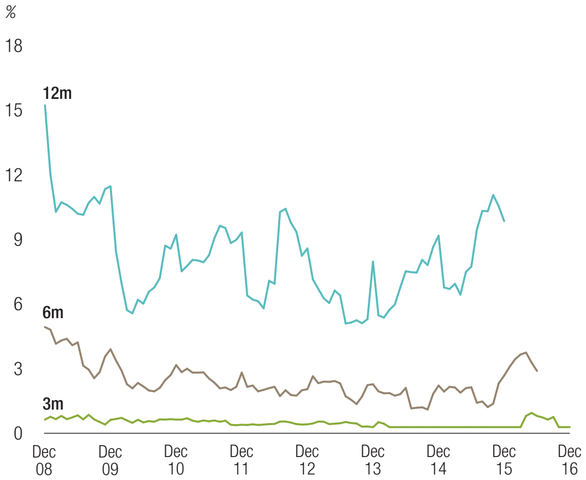
FNB CARD VINTAGE ANALYSIS



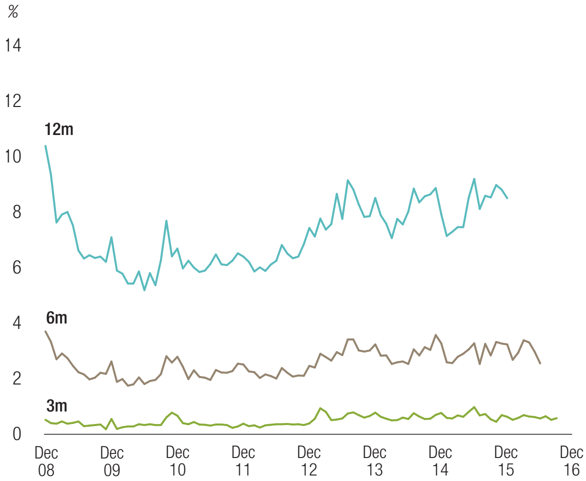
The default experience of the FNB and WesBank personal loans portfolios is within risk appetite. There is continued action to ensure these portfolios remain within risk appetite. As expected, defaults in FNB personal loans have trended upwards from historical low levels as a result of the macroeconomic conditions and strong book growth over the past three years.

WesBank personal loans vintages show a marginal deterioration from 2010 levels. This is expected given the challenging macroeconomic conditions and increased debt review applications. To counter this, credit parameters are continuously adjusted to ensure performance remains in line with expectations. Recent adjustments to credit appetite are proving effective and have assisted in countering macroeconomic conditions.

FNB PERSONAL LOANS VINTAGE ANALYSIS



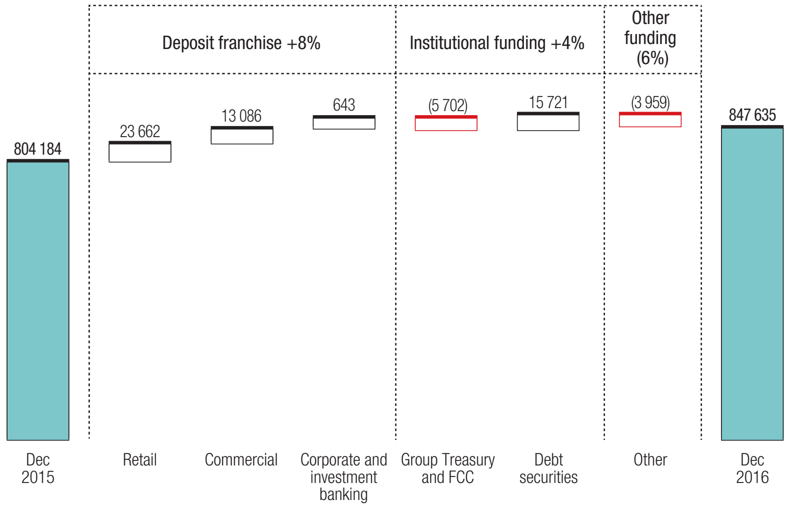
WESBANK PERSONAL LOANS VINTAGE ANALYSIS



DEPOSITS – UP 5%

FUNDING PORTFOLIO PERIOD-ON-PERIOD GROWTH

R million



KEY DRIVERS

- FNB's deposits increased 11%.
  - retail deposit growth of 14% was supported by ongoing product innovation, with particularly strong growth of 18% from the premium segment; and
  - commercial deposit growth of 8% was driven by new client acquisition and cross-sell.
- RMB corporate banking grew average daily operational deposits 9%, driven by leveraging of platforms and growth in client bases. Actual deposits were marginally down period-to-period, due to cyclical withdrawals.
- FirstRand is dependent on institutional funding in the form of Group Treasury deposits and debt securities which grew 5%. This was impacted by:
  - foreign currency funding and structured issuances in the domestic market. Absolute growth was affected by rand appreciation during the year; and
  - the increase in debt securities was driven by an increase in funding from the institutional funding market in the form of NCDs and floating rate notes from low levels in December 2015 as a result of market disruptions.

FUNDING AND LIQUIDITY

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 requirements. The objective is to maintain natural market share and 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 liquidity ratios influences the bank's funding strategy, in particular as it seeks to restore the correct risk-adjusted pricing of liquidity. The bank is actively building its deposit franchise through innovative and competitive products and pricing, while also improving the risk profile of its institutional funding. This continues to improve the funding and liquidity profile of the bank.

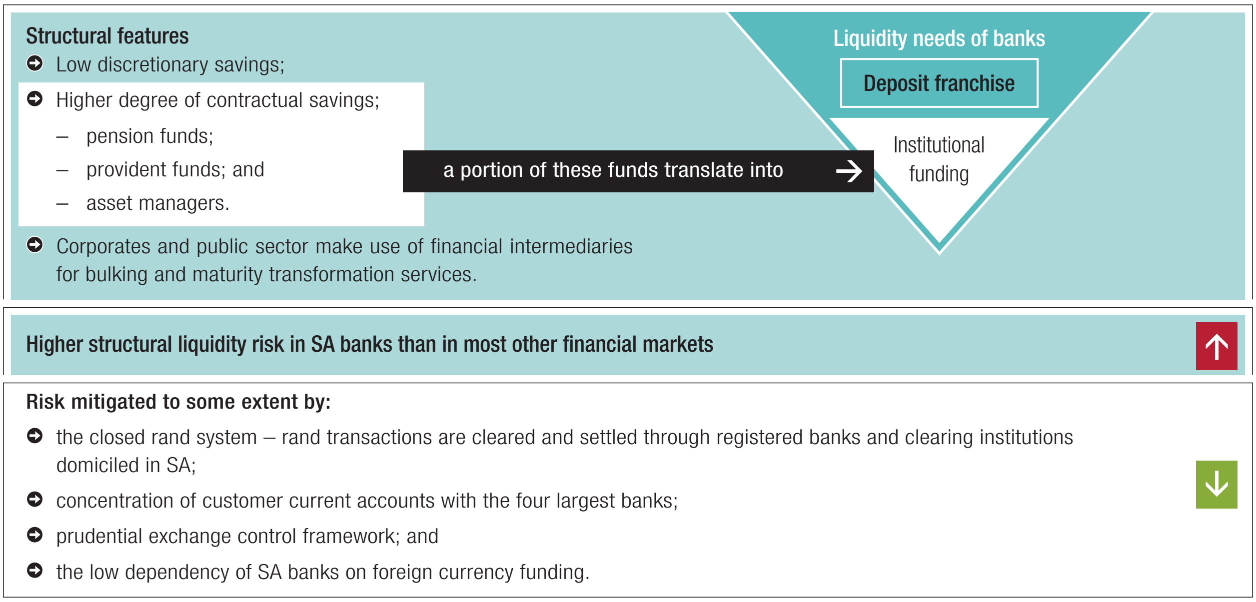
Given market conditions and the regulatory environment, the bank increased its holdings of available liquidity in line with risk appetite over the period. The bank utilised new market structures, platforms and the SARB committed liquidity facility to efficiently increase available liquidity holdings.

At 31 December 2016, the bank exceeded the 70% minimum LCR requirement with a LCR measurement of 104% (December 2015: 74%: June 2016: 102%).

At 31 December 2016, the bank's available HQLA sources of liquidity per the LCR amounted to R158 billion, with an additional R8 billion of management liquidity available.

FUNDING MANAGEMENT

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



Liquidity demanded by banks as a consequence of money supply constraints introduced by the LCR and the central bank's open market operations without a commensurate increase in savings flows, resulted in higher liquidity costs. In light of the structural features discussed above, focus remains on achieving a better risk-adjusted diversified funding profile which also supports the Basel III requirements.

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

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

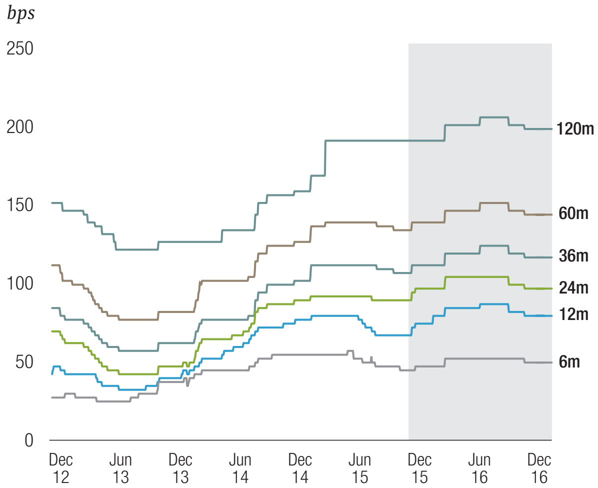
The following graph is a representation of the market cost of liquidity, which is measured as the spread paid on NCDs relative to the prevailing swap curve for that tenor. The liquidity spread graph is based on the most actively-traded money market instrument by banks, namely 12-month NCDs. The graph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

12-MONTH FLOATING RATE NOTE MID-MARKET SPREAD

Source: Bloomberg (RMBP screen) and Reuters.

The following graph shows that long-term funding spreads remain elevated from a historical perspective and still appear to be reflecting a high liquidity premium. The liquidity spreads for instruments with maturities less than 12 months in particular are still high.

LONG-TERM FUNDING SPREADS



Source: Bloomberg (RMBP screen) and Reuters.

Funding measurement and activity

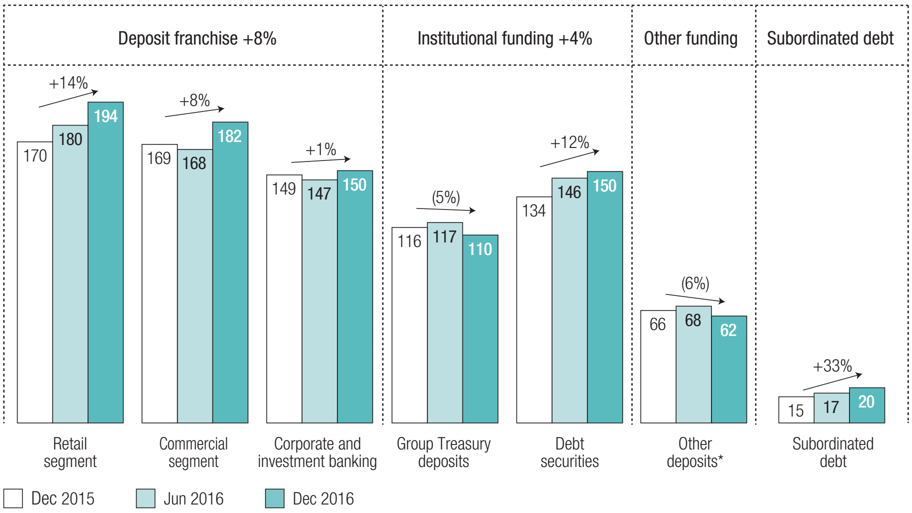
FirstRand Bank, FirstRand's wholly-owned subsidiary and debt issuer, generates a larger proportion of its funding from deposits compared to the South African aggregate, however, its funding profile also reflects the structural features described previously.

The bank manages its funding structure by source, counterparty type, product, currency and market. The deposit franchise is the most efficient source of funding and represented 61% of total funding liabilities as at 31 December 2016 (December 2015: 60%; June 2016: 59%). The bank continued to focus on growing its deposit franchise across all segments with increasing emphasis on savings and investment products. Progress continues to be made in developing suitable products to attract a greater proportion of clients' available liquidity with improved risk-adjusted pricing by source and behaviour. To fund operations, the bank accesses the domestic money markets daily and from time to time, capital markets. The bank issues various capital and funding instruments in the capital markets on an auction and reverse-enquiry basis with strong support from investors, both domestically and internationally. Given elevated domestic funding spreads, the bank has not actively sought to issue senior securities in benchmark size.

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

FUNDING PORTFOLIO GROWTH

R billion



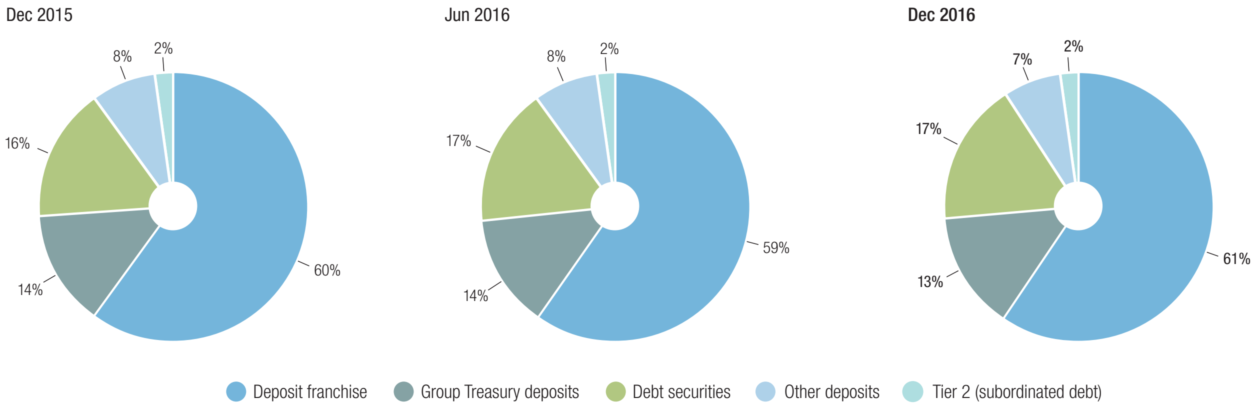
Note 1: Percentage growth is based on actual, not rounded numbers shown in the bar graphs.

Note 2: The above graph is completed using the bank segmental reporting split based on the funding product type. As a result, this differs from the pure segment view reported. Additionally, the deposit franchise as reported in the above finance segment and product view differs from the risk counterparty view on page 64 which is segment and product agnostic. These views highlight primarily the bank's strength in raising deposits through the segments, as well as the diversification of the bank's funding from a counterparty perspective.

* *Other deposits include collateral received and repurchase agreements.*

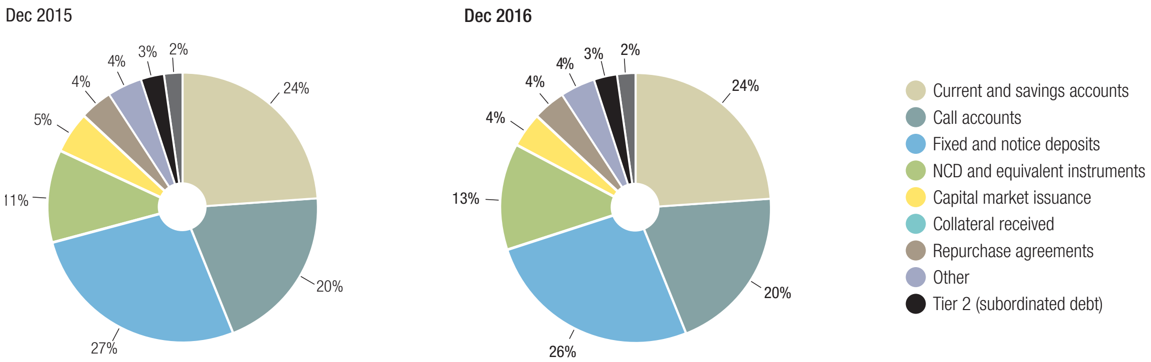
The graphs below show that the bank's funding mix remained stable over the last 12 months.

FUNDING MIX



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

BANK'S FUNDING ANALYSIS BY INSTRUMENT TYPE



As a result of the bank's focus on growing its deposit and transactional banking franchise, a significant proportion of funds are contractually short-dated. As these deposits are anchored to clients' service requirements and given the balance granularity created by individual clients' independent activity, the resultant liquidity risk profile is improved.

The table below provides an analysis of the bank's funding sources per counterparty type as opposed to FRB segment view above.

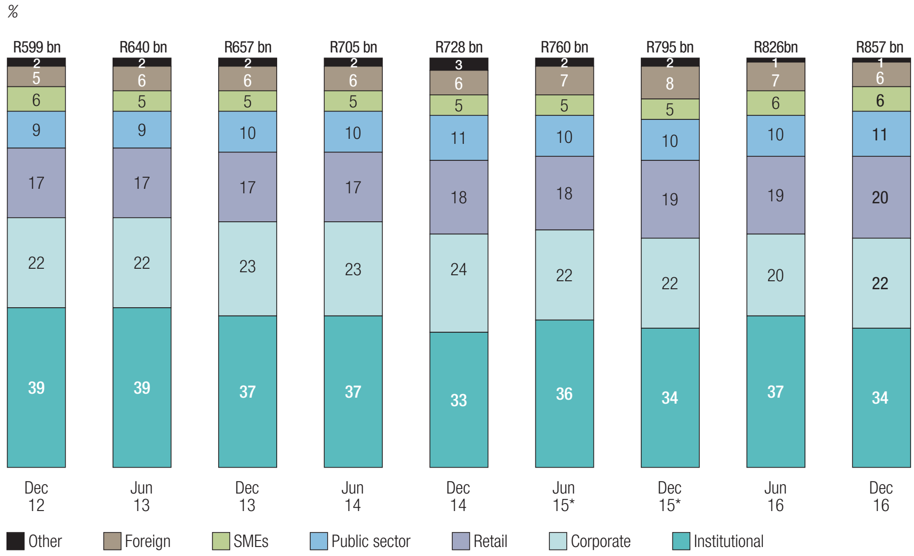
FUNDING SOURCES OF FIRSTRAND BANK (EXCLUDING FOREIGN BRANCHES)

	December 2016				December 2015	June 2016
% of funding liabilities	Total	Short term	Medium term	Long term	Total	Total
Institutional funding	**34.2**	**11.8**	**6.4**	**16.0**	33.2	37.0
Deposit franchise	**65.8**	**50.5**	**8.4**	**6.9**	66.8	63.0
Corporate	**22.4**	**19.1**	**2.2**	**1.1**	22.2	20.1
Retail	**19.9**	**15.0**	**3.2**	**1.7**	19.1	19.2
SME	**5.5**	**4.5**	**0.7**	**0.3**	5.4	5.5
Government and parastatals	**10.5**	**8.5**	**1.1**	**0.9**	9.5	10.2
Foreign	**6.3**	**3.3**	**1.2**	**1.8**	7.8	6.9
Other	**1.2**	**0.1**	**–**	**1.1**	2.8	1.1
Total	**100.0**	**62.3**	**14.8**	**22.9**	100.0	100.0

Source: BA900 for FirstRand Bank South Africa.

The following graph provides an analysis of the bank's funding analysis by source.

FUNDING ANALYSIS BY SOURCE OF FIRSTRAND BANK (EXCLUDING FOREIGN BRANCHES)

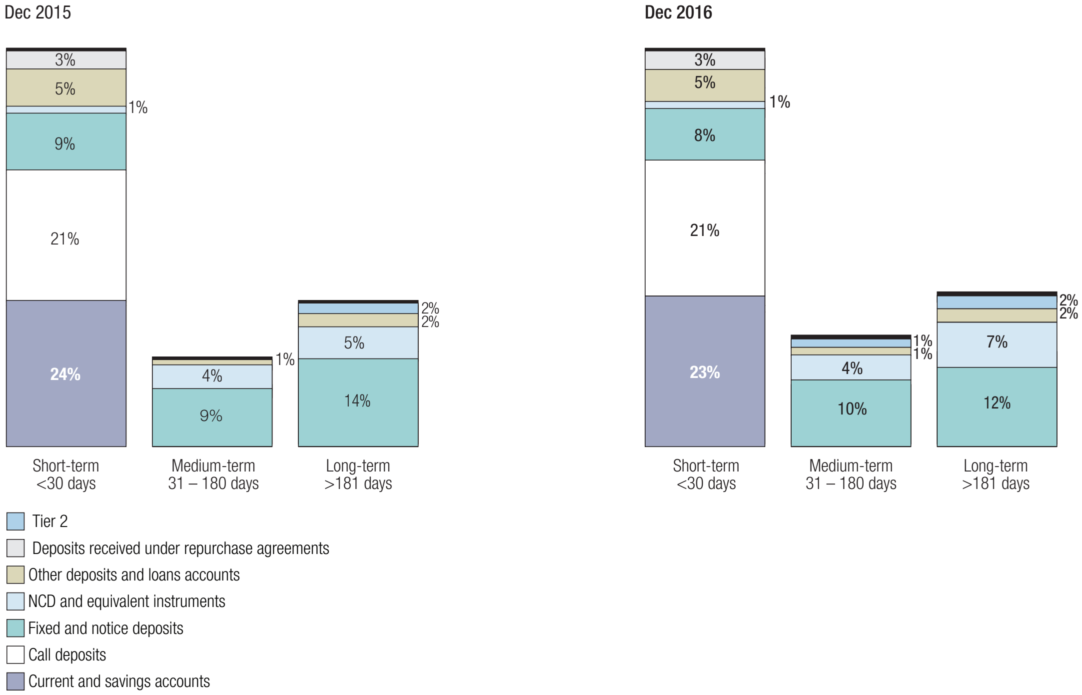


Source: SARB BA900 returns.

* *Restated to account for adjustments made to BA900 reporting.*

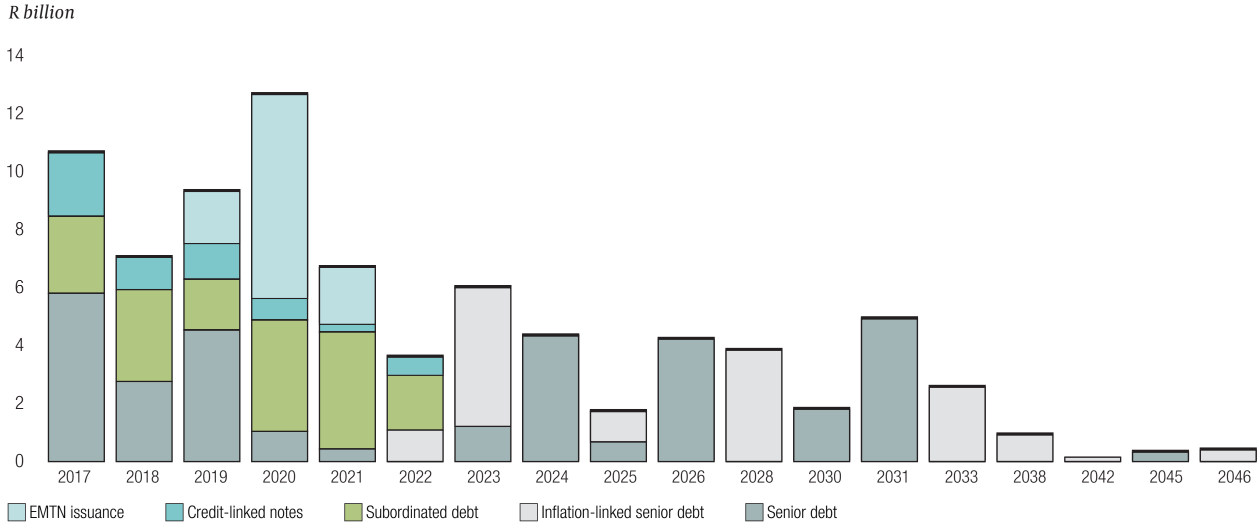
The following chart illustrates a breakdown of the bank's funding liabilities by instrument and term.

BANK'S FUNDING LIABILITIES BY INSTRUMENT TYPE AND TERM



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

MATURITY PROFILE OF CAPITAL MARKET INSTRUMENTS OF THE BANK (EXCLUDING FOREIGN BRANCHES)



Funds transfer pricing

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

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

FOREIGN CURRENCY BALANCE SHEET

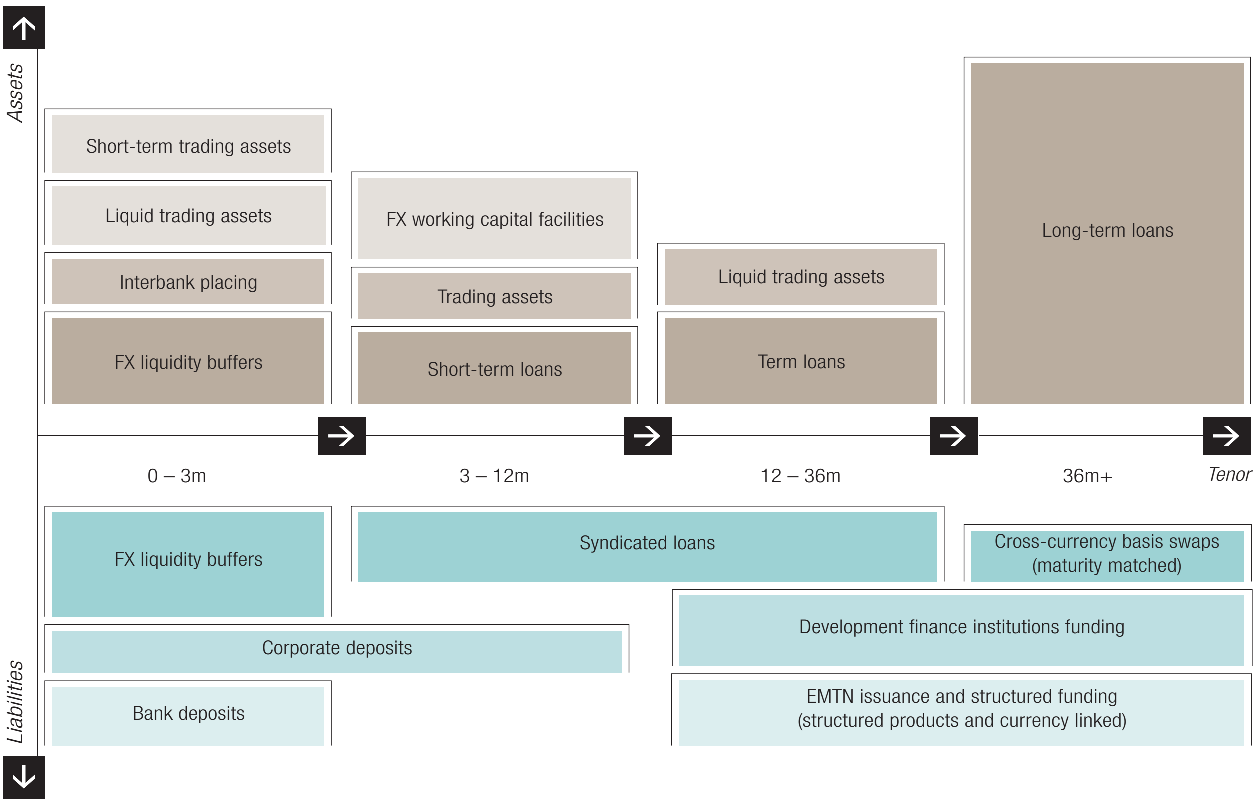
Given that the group continues to grow its businesses in the rest of Africa, and given the size of MotoNovo (UK), the active management of foreign currency liquidity risk continues to be a strategic focus. The group seeks to avoid exposing itself to undue liquidity risk and to maintain liquidity risk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

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

Philosophy on foreign currency external debt

A key determinant in an institution's ability to fund and refinance in currencies other than its domestic currency is the sovereign risk and associated external financing requirement. The group's framework for the management of external debt takes into account sources of sovereign risk and foreign currency funding capacity, and the macroeconomic vulnerabilities of South Africa. To determine South Africa's foreign currency funding capacity, the group considers the external debt of all South African entities (private and public sector, financial institutions) as all these entities utilise the South African system's capacity, namely, confidence and export receipts. The group employs a self-imposed structural borrowing limit and a liquidity risk limit more onerous than required in terms of regulations.

GRAPHICAL REPRESENTATION OF THE FOREIGN CURRENCY BALANCE SHEET



REGULATORY UPDATE

BASEL III LIQUIDITY RATIOS

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

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

LIQUIDITY COVERAGE RATIO

The LCR has been fully adopted by the SARB with the inclusion of a committed liquidity facility (CLF). Phasing in of the LCR commenced in 2015 and banks are required to be fully compliant by 2019. The minimum LCR requirement is currently 70%, with 10% incremental step-ups each calendar year to 100% on 1 January 2019.

The SARB issued *Guidance Note 6/2016* significantly increasing the cost for contracting a CLF. The group remains focused on building a diversified pool of available HQLA, which is constrained by the limited availability of these assets in the SA market.

DISCLOSURE REQUIREMENTS

The BCBS published the liquidity coverage ratio disclosure standards in March 2014 with the objective to reduce market uncertainty around liquidity positions. The standardised templates are completed semi-annually.

These disclosures reveal industry reporting inconsistencies which are being addressed via the Banking Association of South Africa, with SARB and the South African Institute of Chartered Accountants (SAICA).

NET STABLE FUNDING RATIO

The NSFR is considered as a structural balance sheet ratio focusing on promoting a more resilient banking sector. The ratio calculates the amount of available stable funding relative to the amount of required stable funding.

In line with *Directive 4/2016*, banks have been submitting a monthly NSFR monitoring template since August 2016 to enable the SARB to assess the readiness of banks to comply with the 100% NSFR requirement from 1 January 2018. Banks have been engaging on a bilateral basis on interpretive matters relating to this form. Additionally, the industry is seeking guidance in terms of group NSFR requirements and whether assets eligible for the committed liquidity facility for LCR purposes will receive differentiated treatment for the NSFR.

The SARB has applied its discretion on the treatment of deposits with maturities of up to six months received from financial institutions. The NSFR framework assigns a 0% available stable funding (ASF) factor to these funds, whereas the SARB has elected to apply a 35% factor.

It is anticipated that this change will significantly assist the South African banking sector in meeting NSFR requirements. On a *pro forma* basis, FRB expects to exceed the minimum requirements.

RESOLUTION FRAMEWORK

In September 2015, the SARB and the Financial Services Board (FSB) published for public comment a discussion document, *Strengthening South Africa's Resolution Framework for Financial Institutions*. The paper sets out the motivation, principles and policy proposals for such a strengthened framework and is intended to solicit public comment and serve as a basis for further industry discussions in preparation for the drafting of a special resolution bill.

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

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

LIQUIDITY RISK POSITION

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

BANK LIQUID ASSETS COMPOSITION

	Marketable assets	HQLA Basel III view after haircut*					Management view after haircuts		
R billion	**Total Dec 2016**	**Level 1**	**Level 2**	**Total Dec 2016**	Total Dec 2015*	Total Jun 2016	**Total Dec 2016**	Total Dec 2015*	Total Jun 2016
Cash and deposits with central banks	**30**	**29**	**–**	**29**	27	26	**29**	27	26
Government bonds and bills	**97**	**97**	**–**	**97**	71	78	**97**	66	74
Other liquid assets	**53**	**–**	**32**	**32**	27	37	**40**	36	52
Total	**180**	**126**	**32**	**158**	125	157	**166**	129	174

* *December 2015 has been restated to align to LCR view.*

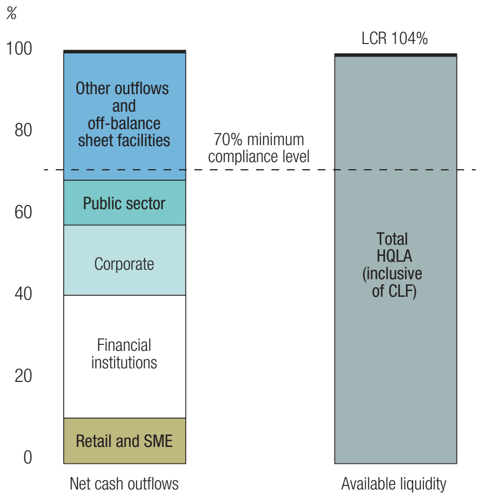
Liquidity buffers are actively managed via high quality, highly liquid assets that are available as protection against unexpected events or market disruptions. The quantum and composition of the available sources of liquidity are defined by the behavioural funding liquidity-at-risk and the market liquidity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

The bank's LCR increased due to an increase in HQLA holdings of R33 billion and a reduction in net cash outflows of R17 billion. This is as a result of targeted strategies to raise more funding from stable 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 the group to align its methodology with other sector players, resulting in a structural uplift in its LCR.

Funding from institutional clients is a significant contributor to the group's net cash outflows as measured under the LCR. Other significant contributors to cash outflows include corporate funding and off-balance sheet facilities granted to clients. The bank has strategies in place to increase funding sourced through its deposit franchise and to reduce reliance on less efficient institutional funding sources, as well as to offer facilities more efficiently.

The following graph illustrates the bank's LCR position of 104% as at 31 December 2016 (December 2015: 74%) and demonstrates the bank's compliance with the 70% minimum requirement.

BANK LCR



Directives 6/2014 and 11/2014 require the group to provide its LCR disclosure in a standardised template.
Refer to www.firstrand.co.za/investorcentre/pages/commondisclosures.aspx

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

CAPITAL

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

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

PERIOD UNDER REVIEW

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

The Basel III leverage ratio is a supplementary measure to the risk-based capital ratio and greater emphasis has been placed on monitoring this ratio.

The bank comfortably operated above its capital and leverage targets during the period. The table below summarises the bank's capital and leverage ratios as at 31 December 2016.

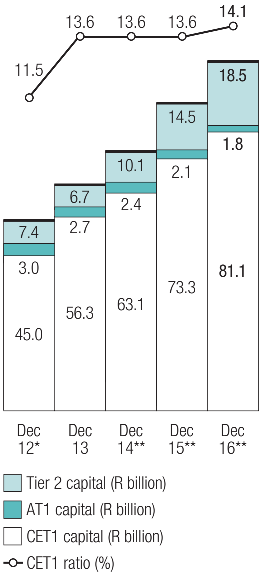
CAPITAL ADEQUACY AND LEVERAGE POSITION

	Capital			Leverage
%	**CET1**	**Tier 1**	**Total**	**Total**
Regulatory minimum*	6.9	8.1	10.4	4.0
Internal target	10.0 – 11.0	>12.0	>14.0	>5.0
Actual				
FRB including foreign branches				
– Including unappropriated profits	**14.1**	**14.5**	**17.7**	**7.4**
– Excluding unappropriated profits	11.9	12.2	15.4	6.2
FRB excluding foreign branches				
– Including unappropriated profits	**14.2**	**14.5**	**17.5**	**7.2**
– Excluding unappropriated profits	12.0	12.4	15.3	6.1

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

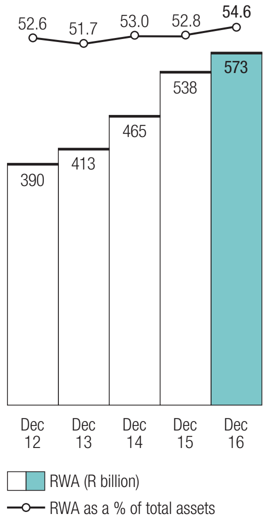
The graphs below show the historical overview of capital adequacy, RWA and leverage for the bank (including foreign branches).

CAPITAL ADEQUACY

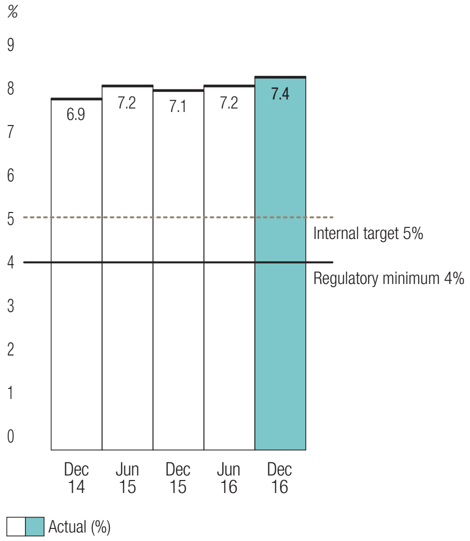


* 2012 is on a Basel II basis, 2013 onwards is on a Basel III basis.
** Includes unappropriated profits.

RWA HISTORY



*LEVERAGE**

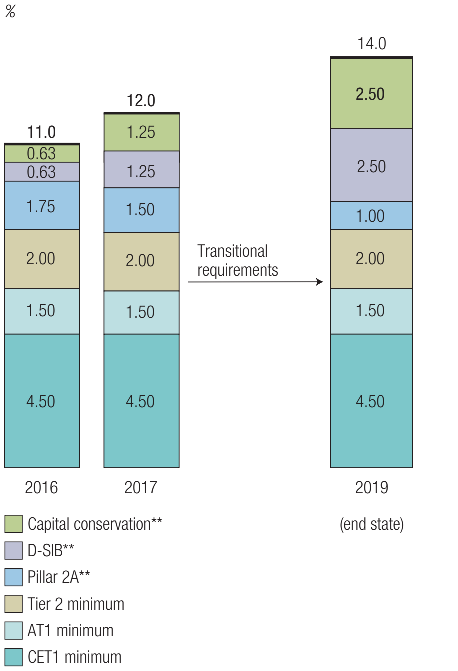


* Includes unappropriated profits.

REGULATORY UPDATE

Effective 1 January 2016, the SARB minimum capital requirement was adjusted for the capital conservation buffer, add-on for domestic systemically important banks (D-SIB) and the countercyclical buffer. Currently the SARB has not implemented any countercyclical buffer requirement for South African exposures. The capital conservation buffer and D-SIB add-on will be phased in until 1 January 2019.

*TRANSITIONAL MINIMUM REQUIREMENTS**



* *Assuming a maximum D-SIB add-on.*
** *Pillar 2A and D-SIB met with all capital types; capital conservation buffer met solely with CET1 capital.*

The bank's internal targets have been aligned to the end-state minimum requirements and are subject to ongoing review and consideration of various stakeholder requirements. No changes have been made to the current targets.

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

The SARB has delayed the implementation of the following Basel standards:

- Standardised approach for measuring counterparty credit risk exposures (SA-CCR).
- Bank exposures to central counterparties.
- Margin requirements for non-centrally cleared derivatives.
- Capital requirements for banks' equity investments in funds.

COMPOSITION OF CAPITAL

Supply of capital

The tables below summarise the bank's (including foreign branches) qualifying capital components and related movements.

COMPOSITION OF CAPITAL ANALYSIS

	As at 31 December		As at 30 June
R million	**2016**	2015	2016
Including unappropriated profits			
– CET1	**81 079**	73 334	77 906
– Tier 1	**82 879**	75 434	79 706
– Total qualifying capital	**101 363**	89 939	95 933
Excluding unappropriated profits			
– CET1	**68 297**	66 034	68 536
– Tier 1	**70 097**	68 134	70 336
– Total qualifying capital	**88 581**	82 639	86 563

Movement: December 2016 vs December 2015		
CET1	**AT1**	**Tier 2**
↑	↓	↑
• Internal capital generation through earnings.	• Additional 10% haircut on NCNR preference shares not compliant with Basel III.	• Issuance of Basel III compliant subordinated debt instruments totalling R4.9 billion: – FRB18, FRB19 and FRB20 issued in April 2016: R2.6 billion; – FRB21 issued in November 2016: R1 billion; and – FRB22 issued in December 2016: R1.25 billion. • Redemption of FRB08 in June 2016: R100 million. • Additional 10% haircut applied to instruments not compliant with Basel III.

DEMAND FOR CAPITAL

The table below shows the breakdown of the bank's (including foreign branches) RWA per risk type as per current regulations.

RWA ANALYSIS

R million	As at 31 December 2016	As at 31 December 2015	As at 30 June 2016	KEY DRIVERS
Credit risk	**410 943**	397 304	406 950	↑ Organic growth, model recalibrations and regulatory refinement.
Counterparty credit risk	**16 546**	19 276	20 155	↓ Volumes, mark-to-market movements and increased collateralisation.
Operational risk	**89 516**	80 292	85 710	↑ Higher risk scenario values for certain portfolios subject to the advanced measurement approach. Increase in gross income for entities on the standardised approach.
Market risk	**21 498**	13 894	16 639	↑ Volume and mark-to-market movements.
Equity investment risk*	**8 669**	6 001	8 979	↑ Investment in African Bank Holdings Limited.
Other assets*	**26 226**	21 260	23 142	↑ Increase in deferred tax assets relating to temporary differences. Increase in property and equipment.
Total RWA	**573 398**	538 027	561 575	

* *For December 2015, investment in financial, banking and insurance entities risk weighted at 250% were reclassified from other assets to equity investment risk.*

CAPITAL ADEQUACY POSITION FOR THE BANK AND ITS FOREIGN BRANCHES

The bank's registered foreign branches 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 branches in excess of targeted levels is returned to FRB, usually in the form of a return of profits. No restrictions were experienced on the repayment of such profits to the bank during the period.

The RWA and capital adequacy positions of bank and its foreign branches are set out below.

RWA AND CAPITAL ADEQUACY POSITIONS OF FIRSTRAND BANK AND ITS FOREIGN BRANCHES

	As at 31 December				As at 30 June
	2016			2015	2016
	RWA R million	**Tier 1 %**	**Total capital adequacy %**	Total capital adequacy %	Total capital adequacy %
Basel III					
FirstRand Bank*,**	**573 398**	**14.5**	**17.7**	16.7	17.1
FirstRand Bank South Africa**	**537 830**	**14.5**	**17.5**	16.6	16.9
FirstRand Bank London	**32 677**	**12.1**	**20.2**	16.1	17.4
FirstRand Bank India	**2 737**	**24.3**	**24.7**	29.9	24.3
FirstRand Bank Guernsey#	**68**	**36.2**	**36.2**	43.5	43.9

* *FRB including foreign branches.*
** *Includes unappropriated profits.*
# *Trading as FNB Channel Islands.*

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

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

Refer to www.firstrand.co.za/investorcentre/pages/commondisclosure.aspx

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

CREDIT RATINGS

FIRSTRAND BANK LIMITED

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

CREDIT RATINGS AS AT 8 MARCH 2017

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

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

South Africa sovereign rating

Moody's Investor Service (Moody's)

Ratings were affirmed on 25 November 2016. The outlook remains negative.

S&P Global Ratings (S&P)

Foreign currency and national scale ratings were affirmed on 2 December 2016 respectively. Long-term local currency rating was lowered to BBB from BBB+ and the short-term rating of A-2 was affirmed. The outlook remains negative.

The above rating actions are primarily driven by South Africa's weakening credit profile, and challenging economic and operating environment. The impact of these ratings on FirstRand Bank are outlined below.

FirstRand Bank

Moody's

On 16 November 2016, Moody's affirmed FirstRand Bank's long- and short-term foreign and local currency deposit ratings. The outlook remains negative based on the South African sovereign outlook.

S&P

On 8 December 2016, S&P affirmed its long- and short-term counterparty credit and national scale ratings for FirstRand Bank. The outlook remains negative based on the South African sovereign outlook.

IFRS information

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PRESENTATION

BASIS OF PRESENTATION

FirstRand Bank prepares its condensed interim results in accordance with:

- the requirements of *IAS 34 Interim Financial Reporting*;
- Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council;
- SAICA Financial Reporting Guide as issued by the Accounting Practices Committee; and
- requirements of the Companies Act, no 71 of 2008, applicable to summary financial statements.

The condensed interim results for the six months ended 31 December 2016 have not been audited or independently reviewed by the bank's external auditors.

ACCOUNTING POLICIES

The accounting policies applied in the preparation of these condensed financial statements are in terms of IFRS and are prepared in accordance with the going concern principle under the historical cost basis as modified by the fair value accounting of certain assets and liabilities where required or permitted.

The bank has voluntarily changed the manner in which it presents certain items of NII and NIR as well as the classification of certain credit investments. The change in presentation had no impact on the profit or loss or net asset value of the bank, and only affects the classification of items on the income statement and statement of financial position. The impact on previously reported results is set out on pages 96 to 98.

Other than the change in presentation described above, the accounting policies are consistent with those applied for the year ended 30 June 2016. There were no other new or revised standards adopted for the six months ended 31 December 2016 that have an effect on the bank's reported earnings, financial position or reserves, or a material impact on the accounting policies.

DESCRIPTION OF DIFFERENCE BETWEEN NORMALISED AND IFRS RESULTS

The bank believes normalised earnings more accurately reflect operational performance. Consequently, headline earnings have been adjusted to take into account non-operational and accounting anomalies, which, in terms of the JSE Listing Requirements, constitute *pro forma* financial information.

This *pro forma* financial information, which is the responsibility of the bank's directors, has been prepared for illustrative purposes to more accurately reflect operational performance and, because of its nature, may not fairly present in terms of IFRS, the bank's financial position, changes in equity and results of operations or cash flows.

Margin-related items included in fair value income

In terms of IFRS, the bank is required to or has elected to measure certain financial assets and liabilities at fair value through profit or loss. In terms of the bank's IFRS accounting policies, the gains or losses on these assets and liabilities are included in fair value income in NIR. This results in NIR including gains or losses that are related to lending, borrowing and economic interest rate hedges. In order to reflect the economic substance of these amounts, the amount of fair value income that relates to margin is presented in NII in the normalised results.

The amount reclassified to NII from NIR includes the following items:

- net interest income on the wholesale advances book in RMB;
- fair value gains on derivatives used as interest rate hedges but which do not qualify for hedge accounting; and
- currency translations and associated costs inherent in the USD funding and liquidity pool.

Previously this adjustment was shown as three separate normalised adjustments, being economic interest rate hedges, fair value annuity income and USD liquidity funding.

Classification of impairment on restructured advance

Included in gross advances and impairment of advances is an amount in respect of an advance that was restructured to an equity investment. The restructure resulted in the bank having significant influence over the counterparty and an investment in an associate was recognised. The bank believes that the circumstances that led to the impairment arose prior to the restructure. For normalised reporting, the bank retained the gross advance and impairment. This amount is classified in advances rather than investments in associates as this more accurately reflects the economic nature of the transaction.

IAS 19 remeasurement of plan assets

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

Cash-settled share-based payments and the economic hedge

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

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

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

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

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

HEADLINE EARNINGS ADJUSTMENTS

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

The description and the amount of these adjustments are provided in the reconciliation between headline earnings and IFRS profit on page 92.

CONDENSED INCOME STATEMENT – IFRS

R million	Six months ended 31 December 2016	Six months ended 31 December 2015*	% change	Year ended 30 June 2016*
Net interest income before impairment of advances	**19 198**	17 434	10	36 777
Impairment of advances	**(3 087)**	(2 933)	5	(6 255)
Net interest income after impairment of advances	**16 111**	14 501	11	30 522
Non-interest revenue	**15 550**	12 699	22	27 886
Income from operations	**31 661**	27 200	16	58 408
Operating expenses	**(18 559)**	(16 902)	10	(35 035)
Income before indirect tax	**13 102**	10 298	27	23 373
Indirect tax	**(473)**	(352)	34	(763)
Profit before income tax	**12 629**	9 946	27	22 610
Income tax expense	**(3 172)**	(2 639)	20	(5 460)
Profit for the period	**9 457**	7 307	29	17 150
Attributable to				
Ordinary equityholders	**9 339**	7 198	30	16 931
NCNR preference shareholders	**118**	109	8	219
Profit for the period	**9 457**	7 307	29	17 150

* *Restated, refer to pages 96 and 97 for more detailed information.*

CONDENSED STATEMENT OF COMPREHENSIVE INCOME – IFRS

R million	Six months ended 31 December 2016	2015	% change	Year ended 30 June 2016
Profit for the period	**9 457**	7 307	29	17 150
Items that may subsequently be reclassified to profit or loss				
Cash flow hedges	**45**	528	(91)	118
Gains arising during the period	**116**	717	(84)	144
Reclassification adjustments for amounts included in profit or loss	**(53)**	16	(>100)	20
Deferred income tax	**(18)**	(205)	(91)	(46)
Available-for-sale financial assets	**(134)**	(759)	(82)	(495)
Losses arising during the period	**(125)**	(1 050)	(88)	(679)
Reclassification adjustments for amounts included in profit or loss	**(64)**	2	(>100)	7
Deferred income tax	**55**	289	(81)	177
Exchange differences on translating foreign operations	**(432)**	931	(>100)	482
(Losses)/gains arising during the period	**(432)**	931	(>100)	482
Items that may not subsequently be reclassified to profit or loss				
Remeasurements on defined benefit post-employment plans	**(80)**	(64)	25	(133)
Losses arising during the period	**(111)**	(89)	25	(185)
Deferred income tax	**31**	25	24	52
Other comprehensive (loss)/income for the period	**(601)**	636	(>100)	(28)
Total comprehensive income for the period	**8 856**	7 943	11	17 122
Attributable to				
Ordinary equityholders	**8 738**	7 834	12	16 903
NCNR preference shareholders	**118**	109	8	219
Total comprehensive income for the period	**8 856**	7 943	11	17 122

CONDENSED STATEMENT OF FINANCIAL POSITION – IFRS

R million	As at 31 December 2016	As at 31 December 2015**	As at 30 June 2016**
ASSETS			
Cash and cash equivalents	**51 035**	46 268	50 997
Derivative financial instruments	**35 389**	68 213	39 923
Commodities	**9 110**	10 779	12 514
Investment securities	**131 470**	95 566	111 430
Advances	**767 013**	744 876	764 088
– Advances to customers	**721 235**	709 504	719 693
– Marketable advances	**45 778**	35 372	44 395
Accounts receivable	**7 245**	5 786	4 561
Current tax asset	**315**	1 219	166
Amounts due by holding company and fellow subsidiary companies	**31 674**	33 493	32 793
Property and equipment	**14 631**	13 045	13 632
Intangible assets	**179**	110	106
Deferred income tax asset	**1 212**	460	1 369
Total assets	**1 049 273**	1 019 815	1 031 579
EQUITY AND LIABILITIES			
Liabilities			
Short trading positions	**13 828**	6 033	14 221
Derivative financial instruments	**44 983**	81 893	50 624
Creditors, accruals and provisions*	**11 622**	10 926	12 644
Current tax liability	**98**	-	75
Deposits	**847 635**	804 184	826 473
– Deposits from customers	**635 630**	603 941	612 492
– Debt securities	**149 985**	134 264	146 280
– Other	**62 020**	65 979	67 701
Employee liabilities	**6 624**	6 437	8 772
Other liabilities	**5 382**	3 995	5 386
Amounts due to holding company and fellow subsidiary companies	**14 780**	13 823	13 997
Tier 2 liabilities	**19 592**	15 011	17 468
Total liabilities	**964 544**	942 302	949 660
Equity			
Ordinary shares	**4**	4	4
Share premium	**16 804**	16 804	16 804
Reserves	**64 921**	57 705	62 111
Capital and reserves attributable to ordinary equityholders	**81 729**	74 513	78 919
NCNR preference shares	**3 000**	3 000	3 000
Total equity	**84 729**	77 513	81 919
Total equity and liabilities	**1 049 273**	1 019 815	1 031 579

* *In December 2015, provisions were presented in a separate line on the statement of financial position. The prior year has been restated accordingly.*
** *Restated, refer to page 98 for more detailed information.*

CONDENSED STATEMENT OF CASH FLOWS – IFRS

	Six months ended 31 December		Year ended 30 June
R million	2016	2015**	2016**
Cash generated from operating activities			
Interest and fee commission receipts	**46 044**	39 478	83 715
Trading and other income	**1 336**	1 759	3 320
Interest payments	**(16 091)**	(12 487)	(26 515)
Other operating expenses	**(15 476)**	(14 575)	(28 614)
Dividends received	**1 601**	1 250	3 034
Dividends paid	**(6 046)**	(5 427)	(10 200)
Cash generated from operating activities	**11 368**	9 998	24 740
Movement in operating assets and liabilities	**(11 316)**	(19 683)	(31 560)
– Liquid assets and trading securities	**25 261**	7 978	(7 206)
– Advances	**(52 414)**	(34 266)	(58 809)
– Deposits	**23 285**	16 329	40 947
– Creditors (net of debtors)	**(3 444)**	(2 626)	166
– Employee liabilities	**(4 385)**	(4 434)	(4 809)
– Other liabilities	**3 794**	697	4 364
– Taxation paid	**(3 413)**	(3 361)	(6 213)
Net cash generated from/(utilised by) operating activities	**52**	(9 685)	(6 820)
Cash flows from investing activities			
Acquisition of property and equipment	**(2 332)**	(1 456)	(3 243)
Proceeds on disposal of property and equipment	**184**	306	448
Acquisition of intangible assets	**(103)**	(54)	(104)
Proceeds on disposal of non-current assets held for sale	**-**	125	125
Net cash outflow from investing activities	**(2 251)**	(1 079)	(2 774)
Cash flows from financing activities			
Proceeds from issue of other liabilities	**164**	148	1 290
Proceeds from issue of Tier 2 liabilities	**2 124**	3 028	5 485
Net cash inflow from financing activities	**2 288**	3 176	6 775
Net increase/(decrease) in cash and cash equivalents	**89**	(7 588)	(2 819)
Cash and cash equivalents at the beginning of the year	**50 997**	53 725	53 725
Effect of exchange rate changes on cash and cash equivalents	**(51)**	131	91
Cash and cash equivalents at the end of the year	**51 035**	46 268	50 997
Mandatory reserve balances included above*	**19 130**	18 618	19 267

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

** *Restated.*

CONDENSED STATEMENT OF CHANGES IN EQUITY – IFRS

for the six months ended 31 December

	Ordinary share capital and ordinary equityholders' funds					
R million	Share capital	Share premium	Share capital and share premium	Defined benefit post-employment reserve	Cash flow hedge reserve	
Balance as at 1 July 2015	4	16 804	**16 808**	(765)	190	
Ordinary dividends	–	–	**–**	–	–	
Preference dividends	–	–	**–**	–	–	
Total comprehensive income for the period	–	–	**–**	(64)	528	
Balance as at 31 December 2015	4	16 804	**16 808**	(829)	718	
Balance as at 1 July 2016	4	16 804	**16 808**	(898)	308	
Ordinary dividends	–	–	**–**	–	–	
Preference dividends	–	–	**–**	–	–	
Total comprehensive income for the period	–	–	**–**	(80)	45	
Balance as at 31 December 2016	4	16 804	**16 808**	(978)	353	

	Ordinary share capital and ordinary equityholders' funds						
	Available-for-sale reserve	Foreign currency translation reserve	Other reserves	Retained earnings	Reserves attributable to ordinary equity-holders	NCNR preference shares	Total equity
	395	476	1 345	53 548	**55 189**	**3 000**	**74 997**
	–	–	–	(5 318)	**(5 318)**	**–**	**(5 318)**
	–	–	–	–	**–**	**(109)**	**(109)**
	(759)	931	–	7 198	**7 834**	**109**	**7 943**
	(364)	1 407	1 345	55 428	**57 705**	**3 000**	**77 513**
	(100)	958	1 345	60 498	**62 111**	**3 000**	**81 919**
	–	–	–	(5 928)	**(5 928)**	**–**	**(5 928)**
	–	–	–	–	**–**	**(118)**	**(118)**
	(134)	(432)	–	9 339	**8 738**	**118**	**8 856**
	(234)	526	1 345	63 909	**64 921**	**3 000**	**84 729**

STATEMENT OF HEADLINE EARNINGS

R million	Six months ended 31 December		% change	Year ended 30 June
	2016	2015		2016
Profit for the period (refer page 86)	**9 457**	7 307	29	17 150
NCNR preference shareholders	**(118)**	(109)	8	(219)
Earnings attributable to ordinary equityholders	**9 339**	7 198	30	16 931
Adjusted for:	**(38)**	(2)	(>100)	28
(Gain)/loss on disposal of available-for-sale assets	**(64)**	2		8
Loss/(gain) on disposal of property and equipment	**10**	(4)		(1)
Impairment of assets in terms of IAS 36	**–**	–		23
Tax effects of adjustments	**16**	–		(2)
Headline earnings	**9 301**	7 196	29	16 959

RECONCILIATION FROM HEADLINE TO NORMALISED EARNINGS

R million	Six months ended 31 December		% change	Year ended 30 June
	2016	2015		2016
Headline earnings	**9 301**	7 196	29	16 959
Adjusted for:	**(220)**	516	(>100)	392
TRS and IFRS 2 liability remeasurement*	**(166)**	569	(>100)	494
IAS 19 adjustment	**(54)**	(53)	2	(102)
Normalised earnings	**9 081**	7 712	18	17 351

* *The bank uses a TRS with external parties to hedge itself against the exposure to changes in the FirstRand share price associated with the bank's long-term incentive schemes.*
The TRS is accounted for as a derivative in terms of IFRS, with the full fair value change recognised in NIR.
In the current period, FirstRand's share price increased R8.33 and during the prior period decreased R10.95.
This resulted in a significant mark-to-market fair value profit in the current period (compare to a loss in the prior period) being included in the bank's IFRS attributable earnings). The normalised results reflect the adjustment to normalise this period-on-period IFRS fair value volatility from the TRS, as described in more detail on page 85.

RECONCILIATION OF NORMALISED TO IFRS CONDENSED INCOME STATEMENT

for the six months ended 31 December 2016

R million	Normalised	IAS 19 adjustment	Margin-related items included in fair value income	TRS adjustment	Headline earnings	IFRS
Net interest income before impairment of advances	**19 964**	–	(766)	–	–	**19 198**
Impairment of advances	**(3 087)**	–	–	–	–	**(3 087)**
Net interest income after impairment of advances	**16 877**	–	(766)	–	–	**16 111**
Non-interest revenue	**14 269**	–	766	461	54	**15 550**
Income from operations	**31 146**	–	–	461	54	**31 661**
Operating expenses	**(18 404)**	75	–	(230)	–	**(18 559)**
Income before tax	**12 742**	75	–	231	54	**13 102**
Indirect tax	**(473)**	–	–	–	–	**(473)**
Profit before tax	**12 269**	75	–	231	54	**12 629**
Income tax expense	**(3 070)**	(21)	–	(65)	(16)	**(3 172)**
Profit for the year	**9 199**	54	–	166	38	**9 457**
Attributable to						
NCNR preference shareholders	**(118)**	–	–	–	–	**(118)**
Ordinary equityholders	**9 081**	54	–	166	38	**9 339**
Headline and normalised earnings adjustments	**–**	(54)	–	(166)	(38)	**(258)**
Normalised earnings	**9 081**	–	–	–	–	**9 081**

RECONCILIATION OF NORMALISED TO IFRS CONDENSED INCOME STATEMENT

for the six months ended 31 December 2015

R million	Normalised	IAS 19 adjustment	Margin-related items included in fair value income	TRS adjustment	Headline earnings	IFRS
Net interest income before impairment of advances	18 179	–	(745)	–	–	17 434
Impairment of advances	(2 933)	–	–	–	–	(2 933)
Net interest income after impairment of advances	15 246	–	(745)	–	–	14 501
Non-interest revenue	13 066	–	745	(1 114)	2	12 699
Income from operations	28 312	–	–	(1 114)	2	27 200
Operating expenses	(17 299)	73	–	324	–	(16 902)
Income before tax	11 013	73	–	(790)	2	10 298
Indirect tax	(352)	–	–	–	–	(352)
Profit before tax	10 661	73	–	(790)	2	9 946
Income tax expense	(2 840)	(20)	–	221	–	(2 639)
Profit for the period	7 821	53	–	(569)	2	7 307
Attributable to			–			
NCNR preference shareholders	(109)	–	–	–	–	(109)
Ordinary equityholders	7 712	53	–	(569)	2	7 198
Headline and normalised earnings adjustments	–	(53)	–	569	(2)	514
Normalised earnings	7 712	–	–	–	–	7 712

RECONCILIATION OF NORMALISED TO IFRS CONDENSED INCOME STATEMENT

for the year ended 30 June 2016

R million	Normalised	IAS 19 adjustment	Margin-related items included in fair value income	TRS adjustment	Headline earnings	IFRS
Net interest income before impairment of advances	38 333	–	(1 556)	–	–	36 777
Impairment of advances	(6 255)	–	–	–	–	(6 255)
Net interest income after impairment of advances	32 078	–	(1 556)	–	–	30 522
Non-interest revenue	27 261	–	1 556	(924)	(7)	27 886
Income from operations	59 339	–	–	(924)	(7)	58 408
Operating expenses	(35 392)	142	–	238	(23)	(35 035)
Income before tax	23 947	142	–	(686)	(30)	23 373
Indirect tax	(763)	–	–	–	–	(763)
Profit before tax	23 184	142	–	(686)	(30)	22 610
Income tax expense	(5 614)	(40)	–	192	2	(5 460)
Profit for the period	17 570	102	–	(494)	(28)	17 150
Attributable to			–			
NCNR preference shareholders	(219)	–	–	–	–	(219)
Ordinary equityholders	17 351	102	–	(494)	(28)	16 931
Headline and normalised earnings adjustments	–	(102)	–	494	28	420
Normalised earnings	17 351	–	–	–	–	17 351

RESTATEMENT OF PRIOR YEAR NUMBERS

DESCRIPTION OF RESTATEMENTS

The bank has made the following changes to the presentation of NII, NIR and advances.

Fair value of credit adjustments

The bank has historically included all fair value gains and losses on advances measured at fair value through profit or loss (including interest and fair value credit adjustments) in NIR. The bank's presentation has been changed to include the credit valuation adjustment on fair value advances with impairments in the income statement rather than as part of NIR. The movement in the credit valuation adjustment on fair value advances is separately disclosed in the impairment of advances note.

Credit-based investments included in advances

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

The changes in presentation had no impact on the profit or loss or net asset value of the bank and only affect the classification of items on the income statement and statement of financial position. The changes in presentation have reduced the number of adjustments between IFRS and normalised results.

RESTATED CONDENSED INCOME STATEMENT – IFRS

	Six months ended 31 December 2015			
R million	As previously reported	Margin on securitised assets	Fair value annuity income (lending)	Restated
Net interest income before impairment of advances	16 914	520	–	17 434
Impairment of advances	(2 658)	–	(275)	(2 933)
Net interest income after impairment of advances	14 256	520	(275)	14 501
Non-interest revenue	12 944	(520)	275	12 699
Income from operations	27 200	–	–	27 200
Operating expenses	(16 902)	–	–	(16 902)
Income before indirect tax	10 298	–	–	10 298
Indirect tax	(352)	–	–	(352)
Profit before income tax	9 946	–	–	9 946
Income tax expense	(2 639)	–	–	(2 639)
Profit for the year	7 307	–	–	7 307
Attributable to				
Ordinary equityholders	7 198	–	–	7 198
NCNR preference shareholders	109	–	–	109
Profit for the period	7 307	–	–	7 307

Margin on securitised assets

Previously, any net income on the sale of advances to a group securitisation vehicle was reclassified from NIR to NII reflecting the underlying nature of the income received on advances over time. IFRS does not have specific rules about presentation of items in profit or loss. The bank's accounting policy for these instruments has changed to present these amounts as part of NII in the bank. This amount is reversed upon consolidation into the FirstRand Limited group financial statements.

The changes in presentation had no impact on the profit or loss, or net asset value of the bank and only affects the classification of items on the income statement and statement of financial position. The changes in presentation have reduced the number of adjustments between IFRS and normalised results.

	Year ended 30 June 2016			
	As previously reported	Margin on securitised assets	Fair value annuity income (lending)	Restated
	35 543	1 234	–	36 777
	(5 998)	–	(257)	(6 255)
	29 545	1 234	(257)	30 522
	28 863	(1 234)	257	27 886
	58 408	–	–	58 408
	(35 035)	–	–	(35 035)
	23 373	–	–	23 373
	(763)	–	–	(763)
	22 610	–	–	22 610
	(5 460)	–	–	(5 460)
	17 150	–	–	17 150
	16 931	–	–	16 931
	219	–	–	219
	17 150	–	–	17 150

RESTATED CONDENSED STATEMENT OF FINANCIAL POSITION – IFRS

R million	As at 31 December 2015			As at 30 June 2016		
	As previously reported	Reallocation of credit investments	Restated	As previously reported	Reallocation of credit investments	Restated
ASSETS						
Cash and cash equivalents	46 268	–	46 268	50 997	–	50 997
Derivative financial instruments	68 213	–	68 213	39 923	–	39 923
Commodities	10 779	–	10 779	12 514	–	12 514
Investment securities	130 938	(35 372)	95 566	155 825	(44 395)	111 430
Advances	709 504	35 372	744 876	719 693	44 395	764 088
– Advances to customers	709 504	–	709 504	719 693	–	719 693
– Marketable advances	–	35 372	35 372	–	44 395	44 395
Accounts receivable	5 786	–	5 786	4 561	–	4 561
Current tax asset	1 219	–	1 219	166	–	166
Amounts due by holding company and fellow subsidiary companies	33 493	–	33 493	32 793	–	32 793
Property and equipment	13 045	–	13 045	13 632	–	13 632
Intangible assets	110	–	110	106	–	106
Deferred income tax asset	460	–	460	1 369	–	1 369
Total assets	1 019 815	–	1 019 815	1 031 579	–	1 031 579
EQUITY AND LIABILITIES						
Liabilities						
Short trading positions	6 033	–	6 033	14 221	–	14 221
Derivative financial instruments	81 893	–	81 893	50 624	–	50 624
Creditors, accruals and provisions	10 926	–	10 926	12 644	–	12 644
Current tax liability	–	–	–	75	–	75
Deposits	804 184	–	804 184	826 473	–	826 473
– Deposits from customers	603 941	–	603 941	612 492	–	612 492
– Debt securities	134 264	–	134 264	146 280	–	146 280
– Other	65 979	–	65 979	67 701	–	67 701
Employee liabilities	6 437	–	6 437	8 772	–	8 772
Other liabilities	3 995	–	3 995	5 386	–	5 386
Amounts due to holding company and fellow subsidiary companies	13 823	–	13 823	13 997	–	13 997
Tier 2 liabilities	15 011	–	15 011	17 468	–	17 468
Total liabilities	942 302	–	942 302	949 660	–	949 660
Equity						
Ordinary shares	4	–	4	4	–	4
Share premium	16 804	–	16 804	16 804	–	16 804
Reserves	57 705	–	57 705	62 111	–	62 111
Capital and reserves attributable to ordinary equityholders	74 513	–	74 513	78 919	–	78 919
NCNR preference shares	3 000	–	3 000	3 000	–	3 000
Total equity	77 513	–	77 513	81 919	–	81 919
Total equities and liabilities	1 019 815	–	1 019 815	1 031 579	–	1 031 579

FAIR VALUE MEASUREMENTS

VALUATION METHODOLOGY

In terms of IFRS, the bank is required to or elects to measure certain assets and liabilities at fair value. The bank has established control frameworks and processes at a franchise level to independently validate its valuation techniques and inputs used to determine its fair value measurements. At a franchise level, technical teams are responsible for the selection, implementation and any changes to the valuation techniques used to determine fair value measurements. Valuation committees comprising representatives from key management have been established within each franchise and at an overall bank level and are responsible for overseeing the valuation control process and considering the appropriateness of the valuation techniques applied in fair value measurement. The valuation models and methodologies are subject to independent review and approval at a franchise level by the required technical teams, valuation committees 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 bank uses the assumptions that market participants would use when pricing an asset or liability under current market conditions, including assumptions about risk. When determining fair value it is presumed that the entity is a going concern and the fair value is, therefore, not an amount that represents a forced transaction, involuntary liquidation or a distressed sale.

Financial instruments measured at fair value

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

When determining the fair value of a financial liability 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 use another valuation technique.

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

Financial instruments not measured at fair value

This category includes financial 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 the JSE Debt Market, or in accordance with generally acceptable pricing models such as a discounted cash flow analysis. Except for the amounts included on page 113, for all other financial instruments at amortised cost the carrying value is equal to or a reasonable approximation of the fair value.

FAIR VALUE MEASUREMENTS

The bank classifies assets and liabilities measured at fair value using a fair value hierarchy that reflects whether observable or unobservable inputs are used in determining the fair value of the item. If this information is not available, fair value is measured using another valuation technique that maximises the use of relevant observable inputs and minimises the use of unobservable inputs. The valuation techniques employed by the bank include, *inter alia*, quoted prices for similar assets or liabilities in an active market, quoted prices for the same asset or liability in an inactive market, adjusted prices from recent arm's length transactions, option-pricing models and discounted cash flow techniques.

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

- as far as possible, market inputs are sourced in line with market prices;
- generally accepted valuation methodologies are consistently used for particular products unless deemed inappropriate by the relevant governance fora;
- 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 bank considers factors such as counterparty and own credit risk when making appropriate valuation adjustments.

MEASUREMENT OF ASSETS AND LIABILITIES AT LEVEL 2

The table below sets out the valuation techniques applied by the bank for fair value measurements of financial 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
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

Instrument	Valuation technique	Description of valuation technique and main assumptions	Observable inputs
Investment securities continued			
Negotiable certificates of deposit	Discounted cash flows	Future cash flows are discounted using market-related interest rates. Inputs to these models include information that is consistent with similar market quoted instruments, where available.	Market interest rates and curves
Treasury bills	JSE Debt Market bond pricing model	The JSE Debt Market bond pricing model uses the JSE Debt Market mark-to-market bond yield.	Market interest rates and curves
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 bank places reliance on valuations from third parties such as broker quotes or valuations from asset managers. Where considered necessary, the bank 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
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
Financial assets and liabilities not measured at fair value but for which fair value is disclosed	Discounted cash flows	Future cash flows are discounted using market-related interest rates and curves adjusted for credit inputs.	Market interest rates and curves

MEASUREMENT OF ASSETS AND LIABILITIES AT LEVEL 3

The table below sets out the valuation techniques applied by the bank for fair value measurements of financial 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 bank has elected to designate the investment banking book of advances at fair value through profit or loss. Credit risk is not observable and could have a significant impact on the fair value measurement of these advances and as such, these advances are classified as level 3 on the fair value hierarchy. 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 bank has classified other loans and advances to customers at level 3 of the fair value hierarchy.	Credit inputs

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

MEASUREMENT OF ASSETS AND LIABILITIES AT LEVEL 3 *continued*

Instrument	Valuation technique	Description of valuation technique and main assumptions	Significant unobservable inputs of level 3 items
Deposits			
Deposits that represent collateral on credit-linked notes	Discounted cash flows	These deposits represent the collateral leg of credit-linked notes. The forward curve adjusted for liquidity premiums and business unit margins is used. The valuation methodology does not take early withdrawals and other behavioural aspects into account.	Credit inputs on related advance
Other deposits	Discounted cash flows	The forward curve adjusted for liquidity premiums and business unit margins. The valuation methodology does not take early withdrawals and other behavioural aspects into account.	Credit inputs
Other liabilities	Discounted cash flows	For preference shares which require the bank 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

FAIR VALUE HIERARCHY

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

	As at 31 December 2016			
R million	Level 1	Level 2	Level 3	Total fair value
Assets				
Derivative financial instruments	242	35 147	–	35 389
Investment securities	84 166	21 566	1 968	107 700
Advances	–	32 110	207 984	240 094
Amounts due by holding company and fellow subsidiary companies	–	222	–	222
Total financial assets measured at fair value	84 408	89 045	209 952	383 405
Liabilities				
Short trading positions	13 828	–	–	13 828
Derivative financial instruments	260	44 564	159	44 983
Deposits	2 020	86 397	521	88 938
Other liabilities	–	3 379	1 476	4 855
Amounts due to holding company and fellow subsidiary companies	–	57	–	57
Total financial liabilities measured at fair value	16 108	134 397	2 156	152 661

FAIR VALUE HIERARCHY *continued*

	As at 31 December 2015			
R million	Level 1	Level 2	Level 3	Total fair value
Assets				
Derivative financial instruments	11	68 198	4	68 213
Investment securities	54 965	38 816	1 204	94 985
Advances	252	41 090	185 266	226 608
Amounts due by holding company and fellow subsidiary companies	–	625	–	625
Total financial assets measured at fair value	55 228	148 729	186 474	390 431
Liabilities				
Short trading positions	5 968	65	–	6 033
Derivative financial instruments	131	81 758	4	81 893
Deposits	2 292	96 464	1 057	99 813
Other liabilities	–	3 352	–	3 352
Amounts due to holding company and fellow subsidiary companies	–	426	–	426
Total financial liabilities measured at fair value	8 391	182 065	1 061	191 517

R million	As at 30 June 2016 Level 1	Level 2	Level 3	Total fair value
Assets				
Derivative financial instruments	241	39 682	–	39 923
Investment securities	75 561	21 629	1 846	99 036
Advances	148	43 831	199 275	243 254
Amounts due by holding company and fellow subsidiary companies	–	383	–	383
Total financial assets measured at fair value	75 950	105 525	201 121	382 596
Liabilities				
Short trading positions	14 221	–	–	14 221
Derivative financial instruments	121	50 375	128	50 624
Deposits	2 482	98 310	528	101 320
Other liabilities	–	3 370	1 457	4 827
Amounts due to holding company and fellow subsidiary companies	–	319	–	319
Total financial liabilities measured at fair value	16 824	152 374	2 113	171 311

TRANSFERS BETWEEN FAIR VALUE HIERARCHY LEVELS

There were no transfers in or out of the various levels for the six months ended 31 December 2016.

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

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

	As at 30 June 2016		
R million	Transfers in	Transfers out	Reasons for transfers in
Level 1	–	(2 821)	There were no transfers into level 1.
Level 2	–	(107)	There were no transfers into level 2.
Level 3	2 928	–	The market for certain bonds listed in South Africa became inactive because of stresses in the macro environment. The market price is, therefore, not representative of fair value and a valuation technique was applied. Because of credit valuation being unobservable the bonds were classified from level 1 into level 3 of the hierarchy. An evaluation of the observability of volatilities used in determining the fair value of certain over-the-counter options resulted in a transfer of R107 million out of level 2 of the fair value hierarchy and into level 3.
Total transfers	2 928	(2 928)	

ADDITIONAL DISCLOSURES FOR LEVEL 3 FINANCIAL INSTRUMENTS

Changes in level 3 instruments

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

R million	Derivative financial assets	Advances	Investment securities	Derivative financial liabilities	Deposits	Other liabilities
Balance as at 30 June 2016	**–**	**199 275**	**1 846**	**128**	**528**	**1 457**
Gains/losses recognised in profit or loss	**–**	**5 963**	**17**	**–**	**(7)**	**71**
Gains/losses recognised in other comprehensive income	**–**	**–**	**44**	**–**	**–**	**–**
Purchases, sales, issue and settlements	**–**	**3 311**	**61**	**31**	**–**	**(52)**
Transfer (out of)/into level 3	**–**	**–**	**–**	**–**	**–**	**–**
Exchange rate differences	**–**	**(565)**	**–**	**–**	**–**	**–**
Balance as at 31 December 2016	**–**	**207 984**	**1 968**	**159**	**521**	**1 476**

R million	Derivative financial assets	Advances	Investment securities	Derivative financial liabilities	Deposits	Other liabilities
Balance as at 30 June 2015	5	178 762	3 692	5	1 182	–
Gains/losses recognised in profit or loss	(2)	5 972	(810)	(2)	25	–
Gains/losses recognised in other comprehensive income	–	(1)	(27)	–	–	–
Purchases, sales, issue and settlements	–	(4 819)	(1 652)	–	(150)	–
Transfer into level 3	–	2 821	–	–	–	–
Exchange rate differences	1	2 531	1	1	–	–
Balance as at 31 December 2015	4	185 266	1 204	4	1 057	–

R million	Derivative financial assets	Advances	Investment securities	Derivative financial liabilities	Deposits	Other liabilities
Balance as at 30 June 2015	5	178 762	3 692	5	1 182	–
Gains/losses recognised in profit or loss	(6)	14 929	(1 157)	13	15	35
Gains/losses recognised in other comprehensive income	–	–	29	–	–	–
Purchases, sales, issue and settlements	–	790	(718)	3	(669)	1 422
Transfer into level 3	–	2 821	–	107	–	–
Exchange rate differences	1	1 973	–	–	–	–
Balance as at 30 June 2016	–	199 275	1 846	128	528	1 457

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

Gains/losses on advances classified in level 3 of the hierarchy comprise gross interest income on advances and fair value credit adjustments. These instruments are funded by liabilities and the inherent risk is hedged by interest rate swaps. The corresponding gross interest expense is not disclosed in the fair value note as these items are typically measured at amortised cost.

Unrealised gains or losses on level 3 instruments

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 financial assets and liabilities carried at fair value classified in level 3 that are still held at reporting date. With the exception of interest on funding instruments and available-for-sale financial assets, all gains or losses are recognised in NIR.

	As at 31 December 2016		As at 31 December 2015		As at 30 June 2016	
R million	**Gains/losses recognised in the income statement**	**Gains/losses recognised in other comprehensive income**	Gains/losses recognised in the income statement	Gains/losses recognised in other comprehensive income	Gains/losses recognised in the income statement	Gains/losses recognised in other comprehensive income
Assets						
Derivative financial instruments	**–**	**–**	(2)	–	–	–
Advances*	**6 152**	**–**	4 456	–	12 358	–
Investment securities	**17**	**39**	306	(28)	533	29
Total	**6 169**	**39**	4 760	(28)	12 891	29
Liabilities						
Derivative financial instruments	**–**	**–**	(2)	–	19	–
Deposits	**(7)**	**–**	(22)	–	(14)	–
Other liabilities	**54**	**–**	–	–	–	–
Total	**47**	**–**	(24)	–	5	–

* *Majority is accrued interest on fair value loans and advances, and movements due to changes in interest rates that have been economically hedged. This relates to the portion of RMB's advances that is classified as fair value to effectively manage the interest rate and foreign exchange risks on these portfolios. These are classified at level 3 primarily as credit spreads could be a significant input and are not observable for loans and advances in most of RMB's key markets. Refer to page 58 where the income statement impact of the credit fair value adjustments are disclosed. Inputs relating to interest rates and foreign currencies are regarded as observable.*

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

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

The following tables illustrate the sensitivity of the significant inputs when changed to reasonably possible alternative inputs.

Asset/liability	Significant unobservable inputs	Unobservable input to which reasonably possible changes are applied	Reasonably possible changes applied
Derivative financial instruments	Volatilities	Volatilities	Increased and decreased by 10%.
Advances	Credit	Credit migration matrix	The credit migration matrix is used as part of the group's credit risk management process for advances measured at fair value through profit or loss. The matrix is a simulation model that contains a matrix of probabilities for downgrading or upgrading to another rating bucket. The migration matrix is based on actual observed rating migrations from S&P over the long term and is based on the fair value in the 75th percentile.
Investment securities	Credit, growth rates and P/E ratios of unlisted investments	Unobservable inputs	Increased and decreased by 10%.
Deposits	Credit risk of the cash collateral leg of credit-linked notes	Credit migration matrix	The deposits included in level 3 of the hierarchy represent the collateral leg of credit-linked notes. The most significant unobservable input in determining the fair value of the credit-linked notes is the credit risk component. The sensitivity to credit risk has been assessed in the same way as for advances using the credit migration matrix with the deposit representing the cash collateral component thereof.
Other liabilities	Performance of underlying contracts	Profits on the underlying contracts	Increased by 10% and decreased by 10%.

Fair value measurements *continued*

R million	Reasonably possible alternative fair value								
	As at 31 December 2016			As at 31 December 2015			As at 30 June 2016		
	Fair value	Using more positive assumptions	Using more negative assumptions	Fair value	Using more positive assumptions	Using more negative assumptions	Fair value	Using more positive assumptions	Using more negative assumptions
Assets									
Derivative financial instruments	**–**	**–**	**–**	4	4	3	–	–	–
Advances	**207 984**	**208 853**	**207 101**	1 204	186 576	183 182	1 846	199 728	197 814
Investment securities	**1 968**	**2 174**	**1 819**	185 266	1 773	1 358	199 275	2 530	1 940
Total financial assets measured at fair value in level 3	**209 952**	**211 027**	**208 920**	186 474	188 353	184 543	201 121	202 258	199 754
Liabilities									
Derivative financial instruments	**159**	**151**	**167**	4	3	4	128	124	129
Deposits	**521**	**475**	**583**	1 057	952	1 163	528	478	618
Other liabilities	**1 476**	**1 461**	**1 623**	-	-	-	1 457	1 443	1 602
Total financial liabilities measured at fair value in level 3	**2 156**	**2 087**	**2 373**	1 061	955	1 167	2 113	2 045	2 349

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.

	As at 31 December 2016		As at 31 December 2015		As at 30 June 2016	
R million	Carrying value	Total fair value	Carrying value	Total fair value	Carrying value	Total fair value
Assets						
Advances	**526 919**	**532 682**	518 740	522 594	521 131	525 651
Investment securities	**23 770**	**23 632**	109	109	12 097	12 083
Total financial assets at amortised cost	**550 689**	**556 314**	518 849	522 703	533 228	537 734
Liabilities						
Deposits	**758 698**	**759 052**	704 371	702 083	725 153	724 819
Other liabilities	**507**	**506**	605	601	532	531
Tier 2 liabilities	**19 592**	**19 785**	15 011	15 148	17 468	17 682
Total financial liabilities at amortised cost	**778 797**	**779 343**	719 987	717 832	743 153	743 032

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.

	As at 31 December		As at 30 June
R million	**2016**	2015	2016
Opening balance	**38**	6	6
Day 1 profits or losses not recognised on financial instruments initially recognised in the current year	**11**	–	37
Amount recognised in profit or loss as a result of changes which would be observable by market participants	**9**	(3)	(5)
Closing balance	**58**	3	38

SUMMARISED SEGMENT REPORT – IFRS

	For the six months ended 31 December 2016							
	FNB		RMB					
R million	FNB SA	FNB Africa*	Investment banking	Corporate banking	WesBank	FCC (including Group Treasury) and other	Eliminations and IFRS adjustments	Total
Profit before tax	8 145	(228)	2 271	596	1 710	438	(303)	12 629
Total assets	341 039	923	342 201	39 038	156 886	184 507	(15 321)	1 049 273
Total liabilities	332 935	1 151	340 323	38 284	155 206	112 122	(15 477)	964 544

	For the six months ended 31 December 2015							
	FNB		RMB					
R million	FNB SA	FNB Africa*	Investment banking	Corporate banking	WesBank	FCC (including Group Treasury) and other	Eliminations and IFRS adjustments	Total
Profit before tax	7 677	(167)	1 487	497	1 513	(878)	(183)	9 946
Total assets	322 742	889	355 790	46 463	167 617	130 620	(4 306)	1 019 815
Total liabilities	315 145	1 065	354 756	45 771	166 021	64 056	(4 512)	942 302

	For the year ended 30 June 2016							
	FNB		RMB					
R million	FNB SA	FNB Africa*	Investment banking	Corporate banking	WesBank	FCC (including Group Treasury) and other	Eliminations and IFRS adjustments	Total
Profit before tax	15 164	(357)	4 097	1 032	3 520	(39)	(807)	22 610
Total assets	332 861	1 143	339 258	36 269	168 366	173 972	(20 290)	1 031 579
Total liabilities	317 790	1 515	336 224	34 919	164 912	115 023	(20 723)	949 660

* *FNB Africa results reported above relate to head office costs and FNB's activities in India.*

supplementary information

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CONTINGENCIES AND COMMITMENTS

R million	As at 31 December 2016	As at 31 December 2015	% change	As at 30 June 2016
Contingencies				
Guarantees	**37 585**	33 794	11	32 659
Letters of credit	**5 823**	7 103	(18)	6 485
Total contingencies	**43 408**	40 897	6	39 144
Committed capital expenditure	**1 736**	3 700	(53)	3 702
Other commitments				
Irrevocable commitments	**109 171**	107 072	2	96 630
Operating lease and other commitments	**2 713**	2 621	4	2 698
Total other commitments	**111 884**	109 693	2	99 328
Total contingencies and commitments	**157 028**	154 290	2	142 174

COMPANY INFORMATION

DIRECTORS

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

COMPANY SECRETARY AND REGISTERED OFFICE

C Low
4 Merchant Place, Corner Fredman Drive and Rivonia Road
Sandton 2196
PO Box 650149, Benmore 2010
Tel: +27 11 282 1808
Fax: +27 11 282 8088
Website: www.firstrand.co.za

SPONSOR

(in terms of JSE debt listing requirements)

Rand Merchant Bank (a division of FirstRand Bank Limited)
Debt Capital Markets
1 Merchant Place, Corner Fredman Drive and Rivonia Road
Sandton 2196
Tel: +27 11 282 8000
Fax: +27 11 282 4184

LISTED FINANCIAL INSTRUMENTS OF THE BANK

LISTED DEBT INSTRUMENTS

Johannesburg Stock Exchange (JSE)

	Issuer	Bond code	ISIN code
Subordinated debt	FirstRand Bank Limited	FRB05	ZAG000031337
	FirstRand Bank Limited	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	FRB21	ZAG000140856
	FirstRand Bank Limited	FRB22	ZAG000141219
	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	FRJ17	ZAG000094343
	FirstRand Bank Limited	FRJ18	ZAG000084187
	FirstRand Bank Limited	FRJ19	ZAG000104563
	FirstRand Bank Limited	FRJ20	ZAG000109596
	FirstRand Bank Limited	FRJ21	ZAG000115858
	FirstRand Bank Limited	FRJ25	ZAG000124256
	FirstRand Bank Limited	FRS36	ZAG000077397
	FirstRand Bank Limited	FRS37	ZAG000077793
	FirstRand Bank Limited	FRS43	ZAG000078643
	FirstRand Bank Limited	FRS46	ZAG000079807
	FirstRand Bank Limited	FRS49	ZAG000081787
	FirstRand Bank Limited	FRS51	ZAG000086117
	FirstRand Bank Limited	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	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

	Issuer	Bond code	ISIN code
Senior unsecured	FirstRand Bank Limited	FRS119	ZAG000118951
	FirstRand Bank Limited	FRS120	ZAG000119298
	FirstRand Bank Limited	FRS121	ZAG000120643
	FirstRand Bank Limited	FRS122	ZAG000121062
	FirstRand Bank Limited	FRS123	ZAG000121328
	FirstRand Bank Limited	FRS124	ZAG000122953
	FirstRand Bank Limited	FRS126	ZAG000125188
	FirstRand Bank Limited	FRS127	ZAG000125394
	FirstRand Bank Limited	FRS129	ZAG000125865
	FirstRand Bank Limited	FRS130	ZAG000125873
	FirstRand Bank Limited	FRS131	ZAG000126186
	FirstRand Bank Limited	FRS132	ZAG000126194
	FirstRand Bank Limited	FRS133	ZAG000126541
	FirstRand Bank Limited	FRS134	ZAG000126574
	FirstRand Bank Limited	FRS135	ZAG000126608
	FirstRand Bank Limited	FRS136	ZAG000126780
	FirstRand Bank Limited	FRS137	ZAG000127549
	FirstRand Bank Limited	FRS138	ZAG000127556
	FirstRand Bank Limited	FRS142	ZAG000130782
	FirstRand Bank Limited	FRS143	ZAG000130790
	FirstRand Bank Limited	FRS145	ZAG000131483
	FirstRand Bank Limited	FRS146	ZAG000134636
	FirstRand Bank Limited	FRS147	ZAG000135724
	FirstRand Bank Limited	FRS148	ZAG000136144
	FirstRand Bank Limited	FRS149	ZAG000136573
	FirstRand Bank Limited	FRS150	ZAG000136615
	FirstRand Bank Limited	FRS151	ZAG000136987
	FirstRand Bank Limited	FRS152	ZAG000136995
	FirstRand Bank Limited	FRS153	ZAG000137670
	FirstRand Bank Limited	FRS154	ZAG000138611
	FirstRand Bank Limited	FRS155	ZAG000139510
	FirstRand Bank Limited	FRS156	ZAG000139627
	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
	FirstRand Bank Limited	FRBI46	ZAG000135302
	FirstRand Bank Limited	FRC46	ZAG000082959
	FirstRand Bank Limited	FRC61	ZAG000087347
	FirstRand Bank Limited	FRC66	ZAG000088485
	FirstRand Bank Limited	FRC69	ZAG000088766
	FirstRand Bank Limited	FRC71	ZAG000088923
	FirstRand Bank Limited	FRC72	ZAG000088956

	Issuer	Bond code	ISIN code
Credit-linked notes	FirstRand Bank Limited	FRC76	ZAG000089574
	FirstRand Bank Limited	FRC94A	ZAG000106725
	FirstRand Bank Limited	FRC96A	ZAG000106733
	FirstRand Bank Limited	FRC107	ZAG000094574
	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	FRC124	ZAG000096579
	FirstRand Bank Limited	FRC125	ZAG000096678
	FirstRand Bank Limited	FRC134	ZAG000097056
	FirstRand Bank Limited	FRC144	ZAG000097569
	FirstRand Bank Limited	FRC145	ZAG000097627
	FirstRand Bank Limited	FRC150	ZAG000099821
	FirstRand Bank Limited	FRC151	ZAG000099904
	FirstRand Bank Limited	FRC152	ZAG000100330
	FirstRand Bank Limited	FRC153	ZAG000100348
	FirstRand Bank Limited	FRC154	ZAG000100694
	FirstRand Bank Limited	FRC155	ZAG000101643
	FirstRand Bank Limited	FRC161	ZAG000102260
	FirstRand Bank Limited	FRC163	ZAG000102898
	FirstRand Bank Limited	FRC166	ZAG000103573
	FirstRand Bank Limited	FRC167	ZAG000104019
	FirstRand Bank Limited	FRC168	ZAG000104753
	FirstRand Bank Limited	FRC169	ZAG000104852
	FirstRand Bank Limited	FRC170	ZAG000105586
	FirstRand Bank Limited	FRC171	ZAG000105719
	FirstRand Bank Limited	FRC172	ZAG000105818
	FirstRand Bank Limited	FRC173	ZAG000105826
	FirstRand Bank Limited	FRC174	ZAG000105891
	FirstRand Bank Limited	FRC176	ZAG000107178
	FirstRand Bank Limited	FRC177	ZAG000107632
	FirstRand Bank Limited	FRC178	ZAG000107897
	FirstRand Bank Limited	FRC179	ZAG000108168
	FirstRand Bank Limited	FRC181	ZAG000108549
	FirstRand Bank Limited	FRC182	ZAG000108713
	FirstRand Bank Limited	FRC183	ZAG000109356
	FirstRand Bank Limited	FRC185	ZAG000111451
	FirstRand Bank Limited	FRC188	ZAG000111873
	FirstRand Bank Limited	FRC189	ZAG000112145
	FirstRand Bank Limited	FRC191	ZAG000114547
	FirstRand Bank Limited	FRC192	ZAG000114521
	FirstRand Bank Limited	FRC195	ZAG000114745
	FirstRand Bank Limited	FRC200	ZAG000114992
	FirstRand Bank Limited	FRC202	ZAG000115114
	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

	Issuer	Bond code	ISIN code
Credit-linked notes	FirstRand Bank Limited	FRC212	ZAG000121054
	FirstRand Bank Limited	FRC213	ZAG000121047
	FirstRand Bank Limited	FRC214	ZAG000121039
	FirstRand Bank Limited	FRC215	ZAG000121021
	FirstRand Bank Limited	FRC216	ZAG000121070
	FirstRand Bank Limited	FRC217	ZAG000121088
	FirstRand Bank Limited	FRC218	ZAG000121096
	FirstRand Bank Limited	FRC219	ZAG000121138
	FirstRand Bank Limited	FRC220	ZAG000121146
	FirstRand Bank Limited	FRC221	ZAG000121229
	FirstRand Bank Limited	FRC225	ZAG000121435
	FirstRand Bank Limited	FRC229	ZAG000124850
	FirstRand Bank Limited	FRC231	ZAG000125030
	FirstRand Bank Limited	FRC233	ZAG000128752
	FirstRand Bank Limited	FRC234	ZAG000130816
	FirstRand Bank Limited	FRC236	ZAG000135211
	FirstRand Bank Limited	FRC237	ZAG000135203
	FirstRand Bank Limited	FRC238	ZAG000135237
	FirstRand Bank Limited	FRC239	ZAG000135245
	FirstRand Bank Limited	FRC240	ZAG000135252
	FirstRand Bank Limited	FRC241	ZAG000135393
	FirstRand Bank Limited	FRC242	ZAG000135401
	FirstRand Bank Limited	FRC243	ZAG000135419
	FirstRand Bank Limited	FRC244	ZAG000135427
	FirstRand Bank Limited	FRC245	ZAG000135468
	FirstRand Bank Limited	FRC246	ZAG000135476
	FirstRand Bank Limited	FRC247	ZAG000135484
	FirstRand Bank Limited	FRC248	ZAG000135450
	FirstRand Bank Limited	FRC249	ZAG000135542
	FirstRand Bank Limited	FRC250	ZAG000135559
	FirstRand Bank Limited	FRD013	ZAG000128695
Structured notes	FirstRand Bank Limited	FRPT01	ZAE000205480
	FirstRand Bank Limited	FKR01	ZAE000193454

London Stock Exchange (LSE)

European medium term note (EMTN) programme

	Issuer	ISIN code
Senior unsecured	FirstRand Bank Limited	XS1225512026
	FirstRand Bank Limited	XS1178685084

SIX Swiss Exchange

	Issuer	ISIN code
Senior unsecured	FirstRand Bank Limited	CH0238315680

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 (CET1) 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 specified regulatory deductions.
Cost-to-income ratio	Operating expenses excluding indirect taxes expressed as a percentage of total income including share of profits from associates and joint ventures.
Credit loss ratio	Total impairment charge per the income statement expressed as a percentage of average advances (average between the opening and closing balance for the year).
Diversity ratio	Non-interest revenue expressed as a percentage of total income including share of profits from associates and joint ventures.
Effective tax rate	Tax per the income statement divided by the profit before tax per the income statement.
EMTN	European medium term note programme.
Impairment charge	Amortised cost impairment charge and credit fair value adjustments.
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 net asset value	Normalised equity attributable to ordinary equityholders.
Return on assets (ROA)	Normalised earnings divided by average assets.
Return on equity (ROE)	Normalised earnings divided by average normalised ordinary shareholders equity.
Risk weighted assets (RWA)	Prescribed risk weightings relative to the credit risk of counterparties, operational risk, market risk, equity investment risk and other risk multiplied by on- and off-balance sheet assets.
Tier 1 ratio	Tier 1 capital divided by RWA.
Tier 1 capital	Common Equity Tier 1 capital plus AT 1 capital.
Tier 2 capital	Qualifying subordinated debt instruments plus qualifying capital instruments issued out of fully consolidated subsidiaries to third parties plus general provisions for entities on the standardised approach less specified regulatory deductions.
TLAC	Total loss absorbing capacity.
Total qualifying capital and reserves	Tier 1 capital plus Tier 2 capital.
TRS	Total return swap

FIRSTRAND BANK

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