Annual integrated report 2015

20

15

OWNER-MANAGER CULTURE

INNOVATION

ENTREPRENEURSHIP

FRANCHISE VALUE

FIRSTRAND

FIRSTRAND'S OBJECTIVE is to build long-term franchise value and the diversified portfolio of the group has delivered strong growth in earnings, assets and dividends.

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

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

FNB First National Bank

RMB

WesBank

ASHBURTON INVESTMENTS

FIRSTRAND

1966/010753/06

Certain entities within the FirstRand group are Authorised Financial Services and Credit Providers. This analysis is available on the group's website: **www.firstrand.co.za**
Email questions to: investor.relations@firstrand.co.za

CONTENTS

FINANCIAL HIGHLIGHTS

Ordinary dividend per share ↑

21%

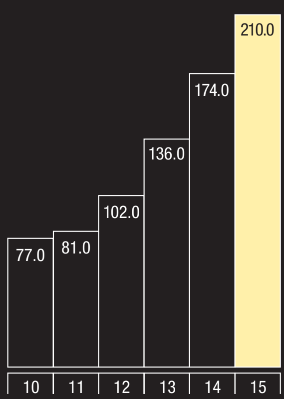
Diluted normalised earnings per share ↑

14%

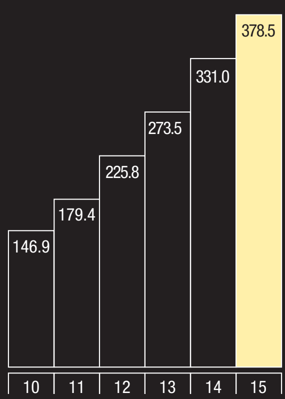
Normalised net asset value per share ↑

12%

ORDINARY DIVIDEND PER SHARE
cents



DILUTED NORMALISED EARNINGS PER SHARE
cents



FIRSTRAND'S SUSTAINABILITY FRAMEWORK

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

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

CORE PURPOSE

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

pg 6 Chairman's statement
pg 12 CEO's report
pg 54 FNB, RMB and WesBank operational reviews

PORTFOLIO MANAGEMENT

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

pg 12 CEO's report
pg 24 CFO's report
pg 139 Risk and capital management report

SUSTAINABILITY

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

pg 5 Highlights and key performance indicators
pg 12 CEO's report
pg 24 CFO's report

VALUES AND CULTURE

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

pg 6 Chairman's statement
pg 12 CEO's report
pg 54 FNB, RMB and WesBank operational reviews

STAKEHOLDERS

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

pg 12 CEO's report
pg 24 CFO's report
pg 54 FNB, RMB and WesBank operational reviews

CORE PURPOSE

FIRSTRAND'S VISION

is to be the African financial services group of choice, create long-term franchise value, deliver superior and sustainable economic returns to shareholders within acceptable levels of volatility and maintain balance sheet strength.

The group seeks to achieve this through specific growth strategies in both its domestic market and the rest of Africa, supported by the effective allocation of capital, funding and risk appetite:

1 In its domestic market, the group will continue to protect and grow its lending and transactional franchises through innovation, disruption and specific cross-sell initiatives across group customer bases. In addition, FirstRand believes it can capture a larger share of profits from the broader financial services markets, through leveraging its platforms, skills and proven culture of innovation to deliver highly differentiated channels, products and solutions which enable customers to transact, borrow, save, invest and insure.

2 In the rest of Africa, FirstRand is actively seeking to establish meaningful banking franchises in those countries that the group has prioritised as markets expected to show above average economic growth, and which are well positioned to benefit from the trade and investment flows between Africa, India and China. These markets are mainly in the SADC region and the west and east African hubs.

These strategies are executed through its portfolio of operating franchises, within a framework set by the group. An overview of progress on these strategic objectives and the financial and operational performance of each franchise can be found on pages 54 to 63 of this report.

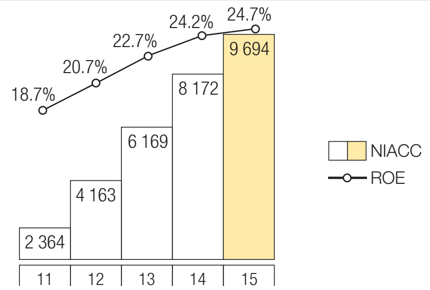
MEASURING PERFORMANCE

The group measures its performance against strategy in many ways, below are a few examples.

CORE PURPOSE

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

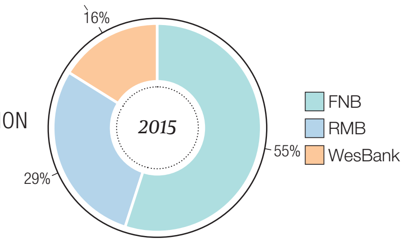
NIACC and ROE



PORTFOLIO MANAGEMENT

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

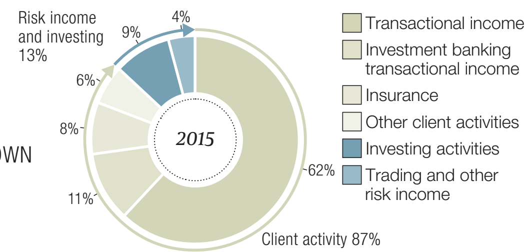
FRANCHISE DIVERSIFICATION *(normalised earnings)*



SUSTAINABILITY

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

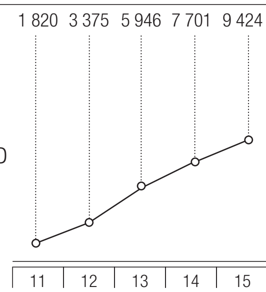
NIR BREAKDOWN



VALUES AND CULTURE

One of the key drivers of the group's growth has been its ability to leverage a culture of innovation across its business. This chart indicates the growth in number of innovations implemented since 2010.

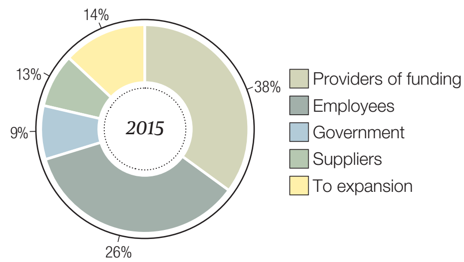
CUMULATIVE INNOVATIONS IMPLEMENTED
CAGR 23%



STAKEHOLDERS

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

ECONOMIC IMPACT
R90.1 million



INTEGRATED HIGHLIGHTS

R million	2015	2014	% change
Financial highlights			
Attributable earnings to ordinary equityholders	**21 623**	18 440	17
Headline earnings	**21 141**	18 671	13
Normalised earnings	**21 286**	18 663	14
Diluted headline earnings per share (cents)	**381.4**	336.8	13
Diluted normalised earnings per share (cents)	**378.5**	331.0	14
Ordinary dividend per share (cents)	**210.0**	174.0	21
Normalised return on equity (%)	**24.7**	24.2	
Normalised net asset vale per share (cents)	**1 618.3**	1 447.2	12
Non-financial highlights			
Economic value added to society	**90 131**	79 635	13
Total workforce (number)	**42 263**	38 542	10
South African workforce (number)	**36 598**	33 142	10
% ACI employees (SA operations)	**74**	72	
Skills development investment	**437**	451	(3)
BEE procurement spend (%)	**98**	94	
Carbon emissions (tonnes)	**316 727**	290 992	9

CHAIRMAN'S STATEMENT

Laurie Dippenaar

Increasing regulation continues to cast an ominous shadow over the banking industry worldwide. I spent quite a lot of time on the topic in my report last year and my argument was that banks, in the main, have brought the burden of new regulation on themselves. I expressed disappointment that it had re-emerged as the key concern for senior executives in various surveys last year and the concern appears even more elevated this year.

Recently the tax and management consultancy PwC, surveyed 175 banking and capital markets chief executives in 54 countries. Over-regulation was a concern for 89% of them, up from 80% previously, while a massive 87% of chief executives thought that regulation would continue to have a disruptive effect in the next five years. Five years! That will take us to 2020, 12 years on from the global financial crisis. It makes you wonder what the real agenda is.

There is a very strong view that banks are useful political "footballs" as they are enormous institutions, systemically important, are still to this day uncovering illegal practices and can appear unfeeling and sinister to their customers. So they remain easy targets, particularly for the populist politician. In certain cases I am beginning to think that regulators have lost sight of their mandates, and that some proposed changes, whilst superficially ticking "protect the customer" boxes, have serious potential for systemic risk in the long run.

It is important that regulators steer clear of trying to please their political masters. Using regulation to win the hearts and minds of voters is one thing but damaging the economy is quite another. Politicians love to use the phrase "ensuring a safer system" but when does that tip over into "ineffective and unprofitable banks and disenfranchised customers"? The natural constraints and incentives of the free market system also play an important role. Banks obviously won't be successful if they don't treat customers fairly and if they aren't careful and wise in loan and investment policies and decisions.

What makes this subject so interesting is the ongoing wave of regulation in the USA, which many commentators believe places burdens on financial institutions that not only impact the world and national markets, but also individual citizens, through consumer regulations so strict that the cost to implement will eventually price the consumer out of most financial institutions. Additionally, regulatory reporting and compliance provisions are costly. In an article for the Wall street Journal, Frank Keating tries to distill this cost into a useful comparative.

"Consider a conversation I had recently with a banker in Nebraska. For the first time, he said, his bank now devotes more work hours to compliance than to lending. Specifically, he has 1.2 employees on compliance for every one employee focused on lending and bringing in business.

Imagine a manufacturing company that deployed more than half of its work force as Occupational Health and Safety Administration compliance officers. Such a company would be unable to grow, let alone contribute to broader economic growth."

This analogy resonates with me. Yes, regulation to stop excessive risk taking, mitigating abuse or price fixing and ensuring that depositors money is not frittered away on investment banking deals all make headlines and keep politicians looking honest and regulators looking prudent and proactive. However, the kind of regulation the banker in Nebraska is talking about is extremely worrying as it makes organisations that need to become more efficient (so that they can pass on cost benefits of technology and innovation to customers) become more inefficient. Another quote from the Wall Street Journal:

"In the three decades before the Dodd-Frank bank regulation law passed in 2010, an average of more than 100 new banks opened each year. In the five years since 2010, exactly one new bank has opened — a small bank in Bird-in-Hand, Pennsylvania, serving the Amish community.

Going from more than 100 new banks each year to only one new bank in five years is an amazing decline. Bankers say the drought is a sign of new regulatory requirements in the wake of the financial crisis, which are boosting expenses and discouraging potential startups from even trying."

Of course this is the USA and a large developed market, probably the most regulated market in the world, but still 100 to 1 in five years is pretty depressing. Also, it's important to note that most emerging markets are following global regulators, so even if you run a bank, or you want to start a bank in a growing economy you will still eventually feel the pressures and many of these pressures will end up being bad for customers.

It's an interesting topic in the South African context too, as the banks here face up to a world of ever increasing regulation. Some of it we welcome as it seeks to create level playing fields, eradicate systemic abuse (the use of garnishee orders comes to mind) and enforce caps on credit life where some lenders were making ridiculous profits at customers' expense. However, the sense of some regulations is less clear, such as the recent dti proposals to significantly reduce caps on unsecured lending. Whilst on the surface this proposal aims to reduce the risk of unsustainable (and in some cases unpayable) interest rates, the balance must be struck with regards availability of credit, appropriately risk adjusted. This is very important in a country where millions of people need to borrow to live and build their future NAV. It also has very negative connotations for the resurrection of the ABIL good bank which we believe has a real role to play in economic activity going forward.

What is clear is that increasing regulation is here to stay, but what we need to guard against is over-regulation which can reduce bank flexibility to meet the unique needs of customers, particularly where common sense is replaced by complex rules. Fear of violating regulations and potential lawsuits leads to fewer loans, ultimately hurting customers and their communities

HEADWINDS COMING FROM EVERY DIRECTION BUT GROUP DELIVERED RESILIENT PERFORMANCE

Moving on from regulatory headwinds, there are other emerging pressures that are equally worrisome for our business. The economy that we are currently operating in is not showing the level of activity required to change some of the structural issues we face as a country, particularly the double deficit, power shortages, rising unemployment and high levels of leverage in the consumer segment.

Despite the deteriorating economic backdrop, I am pleased to report that FirstRand continued to grow earnings and produce excellent returns for shareholders in the year to 30 June 2015. Normalised earnings increased 14% to R21.3 billion, and normalised ROE increased slightly to 24.7%.

The group's operating franchises performed well, again demonstrating their leading market positions. FNB produced ongoing topline growth and profitability on the back of sustained momentum in non-interest revenue and net interest income with good growth generated from both advances and deposits.

> We are extremely proud to have generated R23 billion of value with our BEE deal

WesBank's domestic franchise produced a particularly resilient performance despite the subdued local new car market and the MotoNovo business in the UK again showed excellent profitability in both rand and GBP terms.

RMB's investment banking and corporate banking franchises underpinned a solid performance in a year of subdued corporate activity and liquidity pressures.

The group has exercised further prudence on the back of deteriorating macroeconomic indicators and continued to strengthen its balance sheet and remains conservative in its credit provisioning.

OUR BEE TRANSACTION HAS VESTED; CREATING R23 BILLION OF BROAD-BASED VALUE

The redistribution of wealth in the broader South African society remains a key focus for the government and the private sector continues to play a major role in this process through procurement strategies, corporate social investment, enterprise development, employment equity programmes and BEE transactions.

In his book, *Capital in the Twenty-first Century*, the French economist, Thomas Piketty, produced unparalleled research on the causes and impacts of economic inequality and as he points out, in sub-Saharan Africa, where economic development still remains relatively nascent, the issue of the widening gap between the "haves and the have nots" is becoming an unintended consequence of an otherwise positive trend of economic growth.

Growth in sub-Saharan Africa has been rapid and sustained, underpinning a narrative of "It's Africa's time". This suggests that the economic and political turmoil that characterises many African countries is coming to an end, replaced with rapid urbanisation, a thriving middle class and massive investment in infrastructure development and industrialisation. According to the International Monetary Fund, in the last 20 years sub-Saharan Africa's economies have, almost without exception, expanded.

However, Francisco Ferreira, the World Bank's chief economist for the Africa region was recently quoted as saying that the World Bank has a hypothesis that the structure of growth in Africa has actually reinforced existing inequality between regions and between urban and rural populations.

"There are exceptions but in a large number of African countries the growth has been driven by the natural resource sector, oil and mining, and those are sectors that don't employ that many people; they have linkages to the rest of the economy that are more tenuous than services or agriculture or manufacturing, you have a lot of growth, you have a lot of wealth being produced, you have a lot of GDP, but that doesn't percolate as far down into the population one might hope."

Another number that often gets quoted in the inequality debate in South Africa is our income Gini coefficient ratio of 0.65 – currently one of the highest in the world. As part of an ongoing process to understand pay inequality, the FirstRand remuneration committee commissioned an interesting piece of research from PwC which analysed the Gini coefficient of a number of large companies on the JSE, including FirstRand.

The results are extremely interesting as intuitively one would think FirstRand's ratio would be higher than South Africa given some of the high salaries paid to senior executives, however, in fact FirstRand's Gini coefficient is 0.42 which is on a par with the USA (0.41). The Gini coefficient of one of the platinum mining company's analysed was calculated even lower at 0.34 (on the same level as New Zealand), again surprising if one considers the industry's pay structures.

The simple answer is that the difference between any of these companies and South Africa is that everyone in a company has a job, whereas South Africa has millions of people without jobs. Clearly the single biggest driver of our poor Gini coefficient is an unemployment rate of 25%, therefore to fix income inequality we need to create jobs.

The currently increasing rather than reducing inequality is a fundamental area of concern globally that needs to be urgently addressed, as I strongly believe that the wider the inequality gap gets the higher the risk of social unrest, something that rapidly derails economic development. It is that belief which underpinned FirstRand's commitment to a broad-based black economic empowerment transaction, to spread wealth and ownership as widely and as deeply as possible, rather than make a few well-placed individuals even richer.

We are extremely proud to have generated significant value for the participants in the scheme, which overall represents a total of R23 billion extra value created over ten years. We are particularly pleased that so many of our employees have benefited from the group's success over the past ten years with a total of R6 billion of value created for almost 13 000 people through the staff schemes.

Also, whilst our BEE partners, Women's Development Bank Trust and Investment Holdings, Mineworkers Investment Trust and Management Services and the Kagiso Charitable Trust have agreed to retain their shares until 2018, during 2015 significant value from the scheme began to cascade down to a very broad group of beneficiaries in the underlying trusts through dividends.

It worries me that certain government departments are now saying that the first wave of BEE transactions didn't work and are now pushing for a second wave of transactions designed to create narrower pockets of influence through the creation of black industrialists. How can government argue that the schemes haven't worked? Just look at the data released by Intellidex in their recent study of value created for beneficiaries through BEE deals conducted by the 100 largest companies on the JSE.

"The average value created was R2.3 billion per deal. The headline value creation figure of R317 billion was generated from 136 deals conducted by the 100 companies studied"

"We are struck by the general conclusion that BEE deals have generated a significant amount of value that will have contributed to the overall ambition of black economic empowerment. Deals have played an important role in normalising the economy, even though so much more remains to be done"

These numbers are quite staggering and the research also clearly indicates that there is even more value to flow, as more and more deals mature and vest. I want to provide some added context to that R317 billion number on the basis of a report recently published by the Department of Agriculture. According to the report the estimated value of South Africa's agricultural land, machinery, buildings and livestock is R285 billion, so if all of the beneficiaries of BEE deals that have vested so far, acted as a collective, they could buy that stock outright and still have change for working capital!

Of particular interest to me is that the financial services sector delivered the second largest chunk of value after mining. Also companies associated with this group in one way or another alone have made, or are yet to make a significant contribution.

FirstRand	concluded BEE deal	R23.3 billion
RMBH (shareholder)	strategic partnership with Royal Bafokeng	R7.1 billion
RMI	strategic partnership with Royal Bafokeng	R9.9 billion
Discovery	unbundled from FirstRand in 2007	R2.4 billion
MMI	unbundled from FirstRand in 2010	R3.0 billion

The fiscal balances of the country also benefited from these transactions; FirstRand's deal alone generated R1.9 billion of tax payments to SARS.

To conclude on this topic and at the same time try and answer those voices in government that question the value of these deals, I would like to quote the Intellidex research again as it is a rational voice and its conclusions are based on empirical evidence.

"BEE deals generate capital in the hands of beneficiaries that can be used in many ways, ranging from consumption to funding new business start-ups. Deals ensure improved balance sheets of black beneficiaries, creating equity value, but those balance sheets can be deployed in multiple ways as soon as deals mature. This is a desirable outcome – it would be counterproductive to lock beneficiaries into illiquid equity exposures merely to achieve black ownership, but that are otherwise economically irrational. The objective should be to generate assets that can serve an economic purpose. That is achieved by ensuring black beneficiaries are able to use those assets to pursue rational economic objectives including diversifying asset exposures and optimising life cycle consumption and investing patterns."

EVEN TOUGHER OPERATING ENVIRONMENT EMERGING

We have been predicting a tougher operating environment for some time, and many people, including myself, have been surprised at how long it has taken for the negative cycle to emerge properly. The group's results are remarkably resilient given how difficult it has been this year and we are confident that FirstRand has the necessary strategies and operating platforms to continue to generate growth and earnings above our hurdle rates. It must be said, however, that the level of outperformance that can be achieved becomes more difficult given the high earnings base created in the past.

Looking forward, there are significant headwinds building and we all need to work extra hard to continue to deliver the superior growth and return targets we set ourselves.

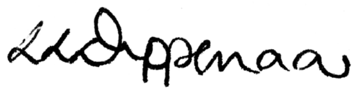
MANAGEMENT CHANGES AND SUCCESSION PLANNING

It is widely recognised that FirstRand has demonstrated a good track record in succession management. I believe it is partly our owner-manager culture that allows home-grown talent to rise to the top on merit, combined with our business model where business unit CEOs are highly empowered to drive strategy and operations albeit within broad strategic frameworks set at the centre.

A clear sign of good succession planning is a strong internal pipeline. According to recent research from PwC in high performing companies one insider CEO follows a previous insider 82 % of the time, nearly 10% higher than low performing companies. In fact, companies already considered low performers are mostly the ones forced to hire fixers from the outside.

The management changes that have occurred over the past 12 months at FirstRand have, in my view, been managed well. FirstRand's philosophy regarding management succession is that when one person moves on and another takes over, it is not the end of one race and the start of another. It is rather like a relay race where the baton is passed from the incumbent to the successor. Sizwe Nxasana has passed the baton to Johan Burger, who has a deep understanding of the group and a fine strategic mind. As a team, together with their strategic executive committee, they guided the group through a period of significant value creation for shareholders. During this time, FirstRand delivered a compound annual growth rate in normalised earnings of 21%.

Although an incredibly humble individual, Sizwe has been an inspirational leader and a role model for every single employee of the group. He will be sorely missed by all of us but we hope to welcome him back at some point in the future. We also know that the projects he will be pursuing over the next few years will add enormous value to the country as a whole. We wish him luck.



Laurie Dippenaar
Chairman


Sizwe Nxasana
OUTGOING CEO
Johan Burger
CEO DESIGNATE

CEO'S REPORT

The group continued its track record of producing earnings growth (+14%) and returns (24.7%) above its targets, which is pleasing given its strong capital position and high earnings base.

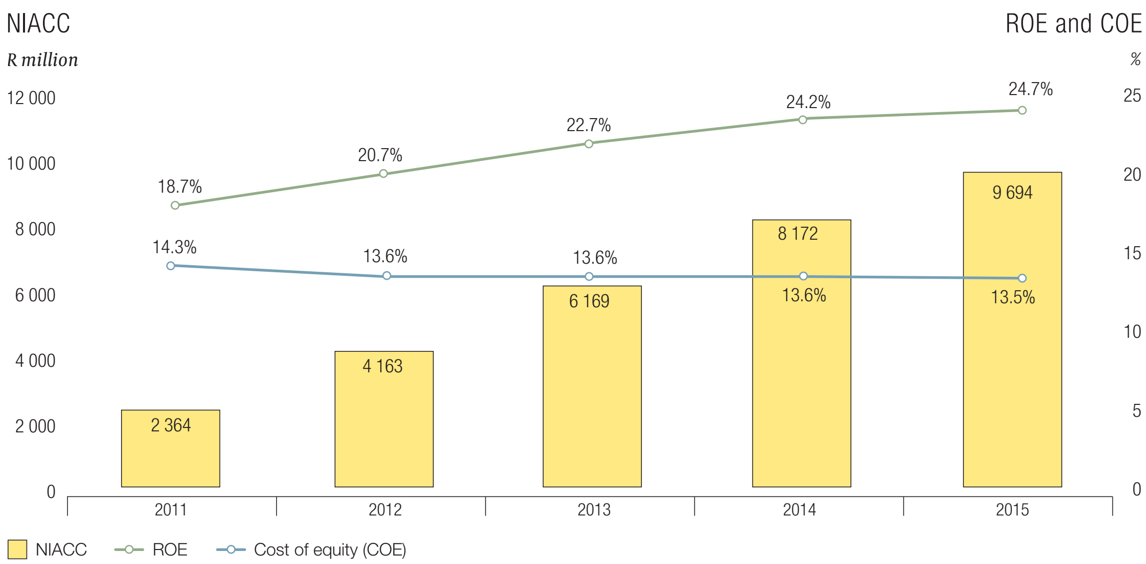
Ordinary dividend per share ↑	Diluted normalised earnings per share ↑
21%	14%

INTRODUCTION

The year under review was characterised by a challenging operating environment:

- **Macros –** South Africa's economy was characterised by subpar growth, consumers remained under pressure and business confidence was low. Globally commodity prices were depressed.
- **Regulatory demands –** the regulatory environment also became more demanding with increasing prudential, conduct and credit regulations, higher capital and liquidity costs and increasing cost of compliance.
- **Scarcity and cost of financial resources –** the year saw an increase in the market cost of funding and liquidity.

Against this backdrop, as outlined in the CFO's report and shown in the following chart, the group continued to deliver returns in excess of the cost of equity and produced 19% growth in economic profit (net income after capital charge), which is higher than the group's earnings growth, reflecting disciplined capital allocation and a focus on a capital-light business mix. The group has always viewed economic profit, i.e. the excess return over the cost of equity, as the true measure of shareholder value creation.



GROUP STRATEGIC OBJECTIVES

FirstRand's vision is to be the African financial services group of choice, create long-term franchise value, deliver superior and sustainable economic returns to shareholders within acceptable levels of volatility and maintain balance sheet strength. The group seeks to achieve this through specific growth strategies in both its domestic market and the rest of Africa, supported by the effective allocation of capital, funding and risk appetite:

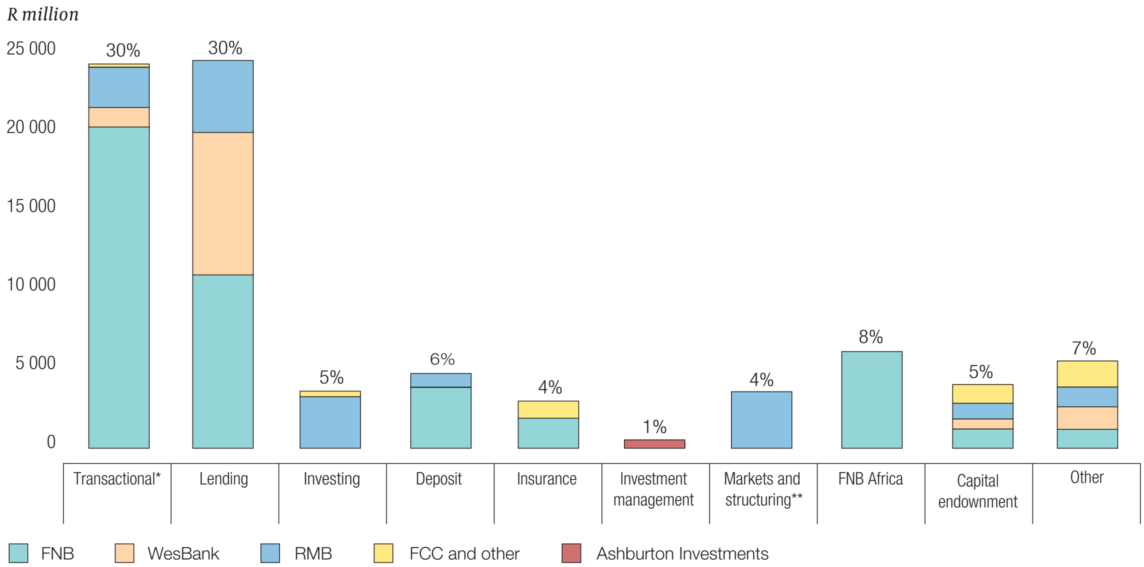
- In its domestic market, the group will continue to protect and grow its lending and transactional franchises through innovation, disruption and specific cross-sell initiatives across group customer bases. In addition, FirstRand believes it can capture a larger share of profits from the broader financial services markets, through leveraging its platforms, skills and proven culture of innovation to deliver highly differentiated channels, products and solutions which enable customers to transact, borrow, save, invest and insure.
- In the rest of Africa, FirstRand is actively seeking to establish meaningful banking franchises in those countries that the group has prioritised as markets expected to show above average economic growth, and which are well positioned to benefit from the trade and investment flows between Africa, India and China. These markets are mainly in the SADC region and the west and east African hubs.

STRATEGIES TO ENSURE SUSTAINABILITY OF GROWTH AND RETURNS

As previously stated, the group seeks to create long-term franchise value, deliver superior and sustainable economic returns to shareholders within acceptable levels of volatility and maintain balance sheet strength.

FirstRand believes it has the necessary strategies and operating platforms to continue to generate growth and earnings above its hurdle rates, although the level of outperformance that can be achieved becomes more difficult given the high earnings base created in the past and the challenging operating environment going forward.

The chart below shows that the group's portfolio of businesses already represents a diversified earnings stream, although mainly concentrated in traditional banking activities, namely retail and wholesale lending, and transactional and related endowment (representing 60% of revenues). The high quality of the lending and transactional franchises that reside in FNB, RMB and WesBank are a direct result of the group's strategy over the past five years to achieve significant market share of profits in those activities.



* *Includes deposit endowment. For RMB includes fees related to investment banking and advisory, and corporate and transactional banking.*

** *Includes only M&S NIR (M&S NII shown in lending/deposits/capital endowment as appropriate).*

Excludes consolidation entries.

As outlined in more detail in the franchise operating reviews, all of the group's operating franchises have built strong transactional value propositions:

- FNB has focused on acquiring main bank customers through offering a highly differentiated and innovative value proposition and efficient channels for transacting;
- RMB has maintained its quality advice, structuring and underwriting franchise and improved its corporate transactional offering; and
- WesBank's quality transactional franchise is delivered on the back of new business generation.

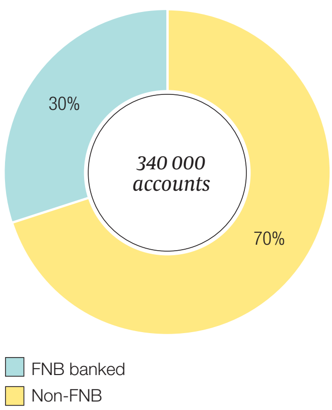
The lending franchise reflects the strength of the origination businesses:

- FNB's strategy to grant credit to existing customers with FNB main transactional accounts has resulted in an improved risk/return profile;
- the success of WesBank's JV model in the domestic retail VAF and MotoNovo businesses and the use of other distribution channels such as Direct Axis; and
- the group's strategy to increase the balance between wholesale and retail led to growth in RMB's lending business – RMB has been the lead arranger in most acquisition, leverage finance and infrastructure deals in South Africa and continues to see good opportunities in the rest of Africa.

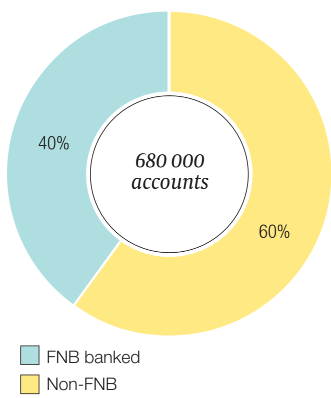
This market positioning will stand the group in good stead moving into what is expected to be a more difficult operating environment. FirstRand, however, recognises the imperative to continue to protect and grow its domestic franchises and believes this can be achieved through executing on disruptive and innovative strategies to deliver differentiated offerings to customers. In addition, the appropriate level of cross-sell available through collaboration across all of the franchises is still not fully realised.

As can be seen in the picture below, there are still meaningful opportunities in the WesBank customer base for FNB to introduce its market-leading transactional offering, particularly given that 60% of WesBank motor customers remain unbanked by FNB. The recent acquisition of the non-controlling interests in Direct Axis, which has a customer base that is also significantly under-penetrated by FNB, provides new, high-quality customers to introduce transactional products. The group believes transactional offerings are the appropriate mechanisms to drive growth in new customers, particularly given the negative credit cycle. It is in line with FNB's stated objective to increase volumes on its electronic platforms and grow fee and commission income, with the concomitant positive impact this will have on NIR, ROA and ROE. Credit extension should increase on the back of these new transactional relationships, particularly where FNB generates behavioural data on the transactional accounts.

DIRECT AXIS

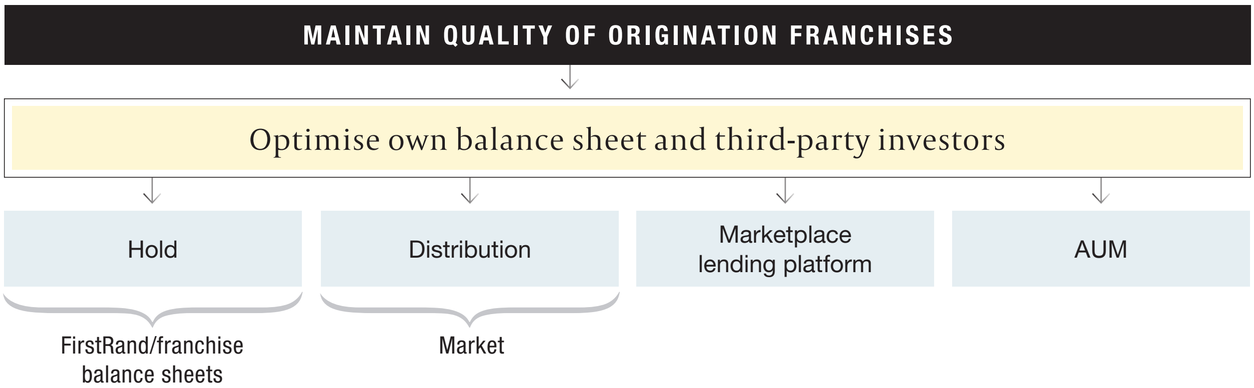


WESBANK MOTOR



In addition to the cross-sell focus, the group also believes it will be necessary to rethink its business model, specifically for some of the asset origination businesses. It is critical that the group maintains the quality of its origination franchises by not restricting origination to balance sheet capacity. The following chart explains how the group can maintain the quality of its origination franchises by optimising its own balance sheet and through the establishment of other platforms with access to the group's origination capacity, e.g. third-party investors.

> The group believes transactional offerings are the appropriate mechanisms to drive growth in new customers



The group believes growth of its domestic franchise also lies in its ability to capture a larger share of profits from the broader financial services markets including savings, insurance and investment products, currently the domain of asset managers and insurance companies. These activities currently represent only 11% of gross revenue and many of them have become more attractive following changes in regulations. The group can offer significantly differentiated, but more cost-effective offerings to both existing and new customers currently saving and investing with competitors. It can, in particular, leverage off its strong actuarial skills base, flexible electronic distribution platforms and track record of innovation and this will further enhance customer entrenchment and be integrated into the main bank relationship.

FirstRand is currently investing in a number of initiatives in the insurance space and, in March 2015, acquired its own life insurance license. FNB is driving the long-term insurance strategy on behalf of the group and is building an appropriate platform to launch risk products. It is envisaged that the current activities of FNB Life will move onto this platform.

Post year end, FirstRand's WesBank franchise formalised its longstanding relationship with Hollard Insurance Company through the formation of a new holding company. This entity will consolidate the existing insurance products provided through WesBank and Hollard and includes the acquisition of two other entities, Motorite and SMART. WesBank will own 81% and Hollard will hold the remaining 19% of the new entity. The objective of this initiative will be to offer the best value-added motor products in the market. Motorite offers a variety of vehicle warranty and maintenance products, while SMART specialises in body repair cover and offers paint-and-dent protection products. By combining resources it is envisaged that going forward WesBank will be in a strong position to provide innovative and competitively priced solutions for vehicle buyers. This initiative is conditional upon receiving approval from the applicable regulatory bodies.

Investment management is another market where FirstRand believes it can build a differentiated offering, capture a large share of the profit pools available and over time, generate a new and potentially significant revenue stream for the group. The creation of Ashburton Investments in 2013 brought together the group's asset origination, asset management, liability gathering and distribution platforms under one operating pillar. The objective is to build an investment management franchise that offers both traditional and alternative investment products, with greater emphasis on the alternative space which is currently unique in the domestic market and plays to the group's track record in originating high-quality asset classes such as private equity, infrastructure and corporate credit.

Prior to the consolidation of these activities within the investment management pillar, Ashburton as a standalone asset manager, previously part of FNB, had over many years established an excellent track record in the traditional space. Utilising these proven investment skills, augmented by specialist skills in alternative products, the broader Ashburton Investments business is now achieving traction in its expanded growth strategy.

RMB's origination franchise, combined with FNB's customer base and distribution channels, both relationship driven and digital, are key to the successful execution of this strategy. From a product origination perspective, Ashburton Investments provides third parties with the opportunity to invest in high-quality asset classes originated by RMB. In the alternative products that Ashburton Investments has already brought to market, specifically corporate credit and private equity, there has been significant customer take-up and many of these funds are already closed.

From a distribution perspective, FNB's relationship management model combined with Ashburton Investments' product generation is already bearing fruit with 80% of retail investment inflows represented by FNB customers. This momentum has been supported by the activation of Ashburton Investment's LISP platform during the course of 2014. The group expects further growth in this customer migration once the asset management platforms are integrated with FNB's digital channels, which is still work in progress. Ultimately the FNB customer base will be presented with a large selection of bespoke investment and savings products, available through all of FNB's channels.

As the group's primary objective is to produce superior returns for its shareholders and its key performance measurement is net income after capital charge (NIACC), the majority of the growth initiatives outlined above are "capital light" and seek to drive growth in NIR and enhance ROE.

The group's revenues and earnings are also geographically highly concentrated, with less than 12% of gross revenue generated from outside of its domestic market. Therefore, in parallel with its domestic growth strategy, the group is also actively seeking to establish meaningful banking franchises in those countries in the rest of Africa prioritised as markets expected to show above average economic growth and which are well positioned to benefit from the trade and investment flows between Africa, India and China. These markets are mainly in the SADC region and the west and east African hubs.

FirstRand is not targeting a preferred level of earnings from outside of South Africa, as it believes the ultimate outcome of its strategy must be predicated on a disciplined approach to capital allocation and result in appropriate returns on the cost of that capital for shareholders. The group does, however, believe that certain territories in the rest of Africa offer attractive opportunities with execution currently taking the form of the following three pillars:

1. Utilise the capabilities of the South African franchise, particularly the domestic balance sheet, intellectual capital, international platforms and the existing operating footprint in the rest of Africa.

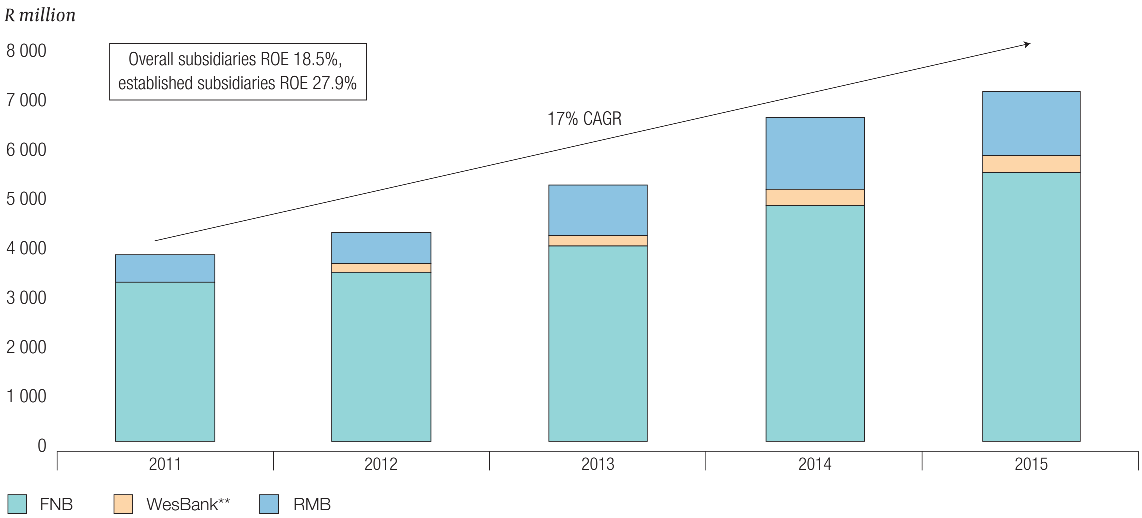
2. Start an in-country franchise and grow organically.

3. Acquire small- to medium-sized in-country franchises where it makes commercial sense.

FirstRand is not targeting a preferred level of earnings from outside of South Africa, as it believes the ultimate outcome of its strategy must be predicated on a disciplined approach to capital allocation and result in appropriate returns on the cost of that capital for shareholders

The chart below shows the growth in revenues from the rest of Africa. It is important to note that although the group has seen good growth in revenues from the rest of Africa, much of this has come from pillar 1.

REST OF AFRICA GROSS REVENUE*



* *Excludes FCC (including Group Treasury).*

** *WesBank 2011 rest of Africa revenues scheduled in FNB figures in the graph above. All WesBank rest of Africa profits are reported under FNB Africa in the segmental results.*

It is anticipated that the deployment of capital going forward will be concentrated on pillars 2 and 3 as the group shifts its focus to building more in-country balance sheets and franchises, however, to the extent that this requires more capital, the group will remain disciplined in deployment.

MANAGEMENT OF FINANCIAL RESOURCES

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

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

Balance sheet strength

Capital position

Current targeted ranges and actual ratios are summarised below.

%	CET1	Tier 1	Total
Regulatory minimum*	6.5	8.0	10.0
Targets	10.0 – 11.0	>12.0	>14.0
Actual**	**14.0**	**14.8**	**16.7**

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

** *Includes unappropriated profits.*

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

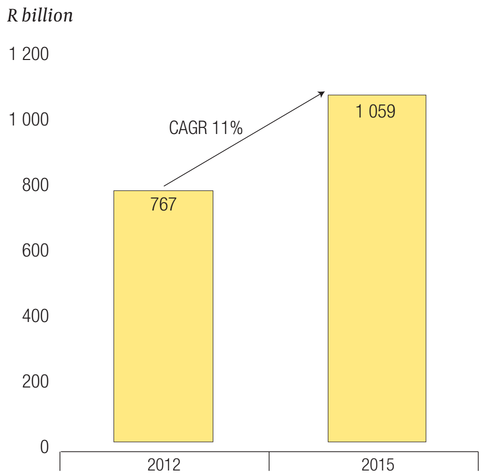
Liquidity position

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

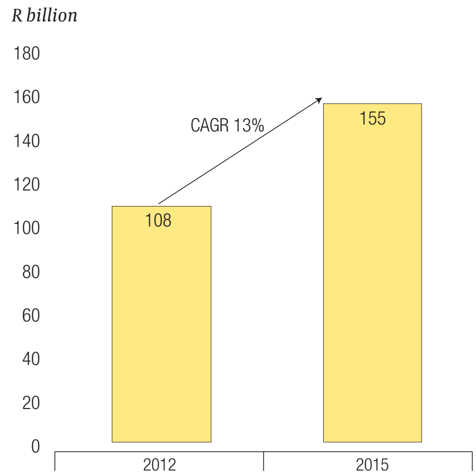
In addressing the LCR requirements, the group followed a two-pronged strategy. Firstly, it focused on making the asset side of the balance sheet more liquid, as illustrated in the opposite chart. This was achieved by originating assets into high quality liquid assets (HQLA) format, e.g. securitisations and corporate bonds. This, combined with the increased holding of liquid assets, underpinned the improvement in balance sheet liquidity.

The effective management of financial resources ensures the required discipline is applied in the allocation and pricing of these resources

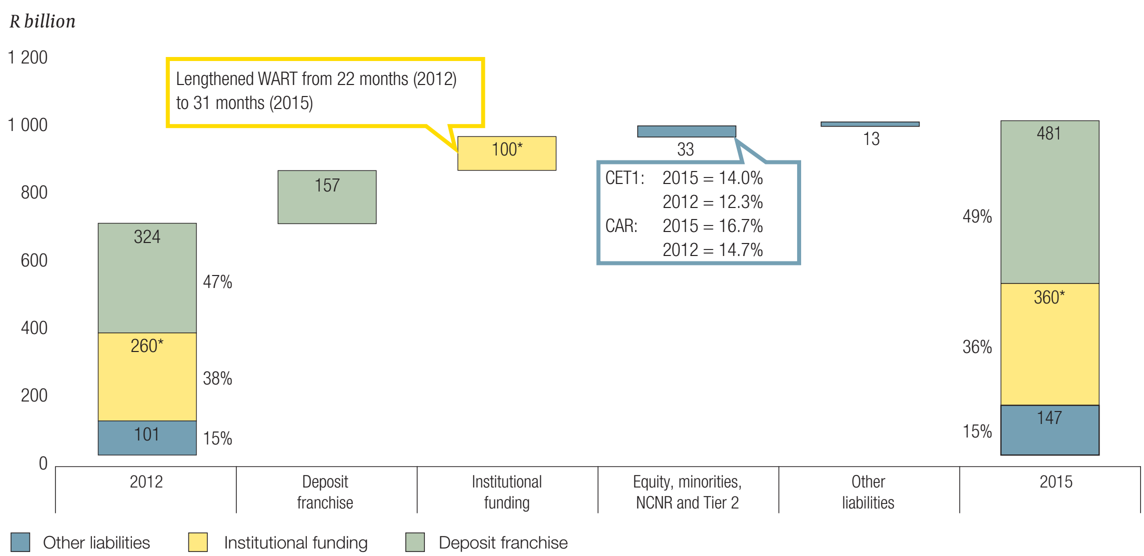
TOTAL ASSETS



CASH AND LIQUID ASSETS



The second part of the strategy was to strengthen the group's deposit franchise and lengthen the term profile of institutional funding. The following graph shows that the deposit franchise now represents a larger portion of total liabilities and the weighted average term (WART) of institutional funding has increased from 22 months in 2012 to 31 months at 30 June 2015.



Note: Derivative- and short-trading position asset and liabilities have been netted off.

* *Non-recourse and securities-lending assets have been netted off against institutional funding.*

These strategies resulted in a group liquidity coverage ratio (LCR) of 76% as at 30 June 2015 (for FRB the ratio was 84%), which exceeds the 60% minimum LCR requirement. The group held available liquidity of R137 billion with an additional R12 billion of management liquidity available.

DIVIDEND STRATEGY

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

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

The outlook on the macroeconomic environment remains challenging and uncertainty around potential regulatory and accounting changes persists. These pressures lead FirstRand to believe that the level of dividend payout should continue to be considered within the range of 1.8 x to 2.2 x cover. However, given the group's strong capital position, the excellent performance by the franchises in the year under review, and the projected demand for capital, the group believes that a dividend cover of 1.8 x is appropriate for the year ended 30 June 2015.

With respect to the current excess capital, the group's fundamental philosophy has not changed in that it will always return excess capital to shareholders should it not find opportunities to deploy that capital to generate acceptable returns. At this time, however, the group believes that a sufficient number of identified opportunities currently exist in both the domestic market as well as in the rest of Africa, which warrant further assessment of deployment of a portion of the current excess. It will, therefore, continue to set aside a capital buffer in support of its expansion strategy.

Given the strong capital generation from the business in the year under review and the cautious approach to the deployment of this capital, the buffer has further increased. Currently, the group has set aside a R12 billion capital buffer to deploy to:

- protect and grow the domestic and lending franchises;
- provide other franchises with the opportunity to capture profits from the broader financial markets domestically; and
- support the disciplined deployment of capital for organic growth, and allow for small- and medium-sized acquisitions in a number of targeted countries in the rest of Africa.

> The group's fundamental philosophy has not changed in that it will always return excess capital to shareholders should it not find opportunities to deploy that capital to generate acceptable returns

In the group's view, this surplus is appropriate for the growth strategies it has identified (illustrated below), where it believes it can deploy the surplus to deliver acceptable returns for shareholders.

R12.2 billion surplus	*Growth strategies*
1.6	Protect and grow domestic lending and transaction franchises (cross-sell/collaboration) • WesBank – Direct Axis and other JVs
1.5	Capture larger share of profits from the broader financial services markets domestically • FirstRand Insurance, Ashburton Investments, WesBank – Motorite and SMART
2.8	Existing organic strategy in the rest of Africa
5.2	Acquisitions in targeted countries in the rest of Africa
1.1	Other

CONCLUSION

When assessing the results for the year to June 2015, it is pleasing to note that FirstRand continues to deliver on its strategic objectives and will measure, monitor and refine these objectives on a continuous basis. FirstRand believes that its current strategy and focus on financial resource management will allow it to further optimise the financial, strategic and operational levers required to deliver on its commitments to stakeholders.

Sizwe Nxasana
Outgoing CEO

Johan Burger
CEO Designate

CFO'S REPORT

Harry Kellan

FirstRand produced a good set of results for the year ended 30 June 2015, growing normalised earnings 14% to R21 286 million and generating an ROE of 24.7%, which, in the group's view, remains at a cyclical high given the slower than expected emergence of the credit cycle.

The group's operating franchises performed well, again demonstrating their leading market positions. The key drivers of outperformance were as follows:

FNB benefited from:

- growing its franchise strongly in both existing and new markets on the back of innovative products and delivery channels, particularly focusing on electronic and digital platforms
- growing and retaining core transactional accounts in targeted segments
- driving cross-sell into the customer base
- applying disciplined origination strategies and providing innovative savings products to attract deposits

RMB benefited from:

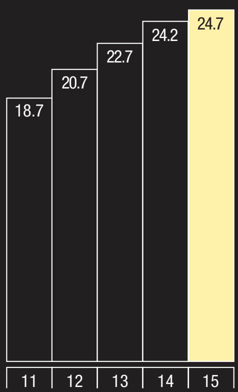
- leading investment banking and advisory capabilities, which resulted in a number of significant domestic and international M&A mandates being secured
- focused client coverage initiatives and increased demand for trade and working capital products in the corporate and transactional franchise
- bespoke structuring transactions which produced significant earnings growth as did the operations in the rest of Africa
- the quality and diversity of its private equity portfolio which produced a strong performance from realisations and robust equity-accounted earnings and income from investment subsidiaries

WesBank benefited from:

- new business volumes increasing across all retail portfolios
- a strong performance from MotoNovo in the UK driven by increased footprint, expanded product offering and growth in supported dealer relationships, which resulted in strong asset growth
- good growth in fee and insurance income on the back of advances growth

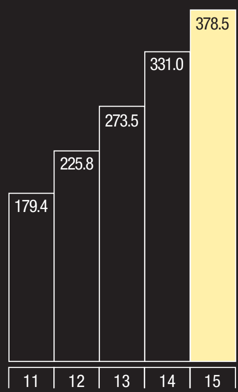
KEY PERFORMANCE INDICATORS

ROE
%



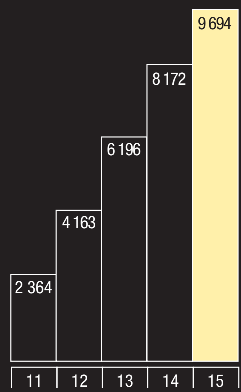
When the group analyses ROE, it also takes into account the relationship between ROA and gearing levels. The group's long-term ROE target range is 18% to 22% for normal economic cycles.

EPS
%



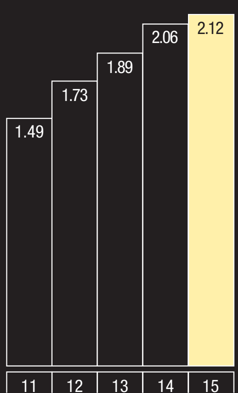
The group targets earnings growth of 3% to 5% above nominal GDP growth over the long term, as this will vary from year-to-year dependent on economic cycles.

NIACC
R million



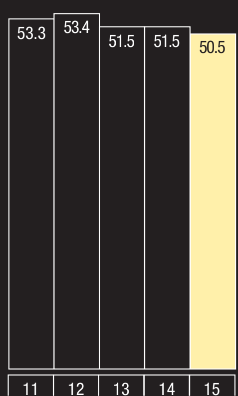
Growth in NIACC is the group's internal benchmark for assessing performance.

ROA
%



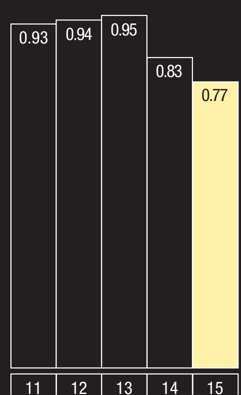
Maximising ROA is a key objective in creating shareholder returns.

COST-TO-INCOME RATIO
%



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

CREDIT LOSS RATIO
%



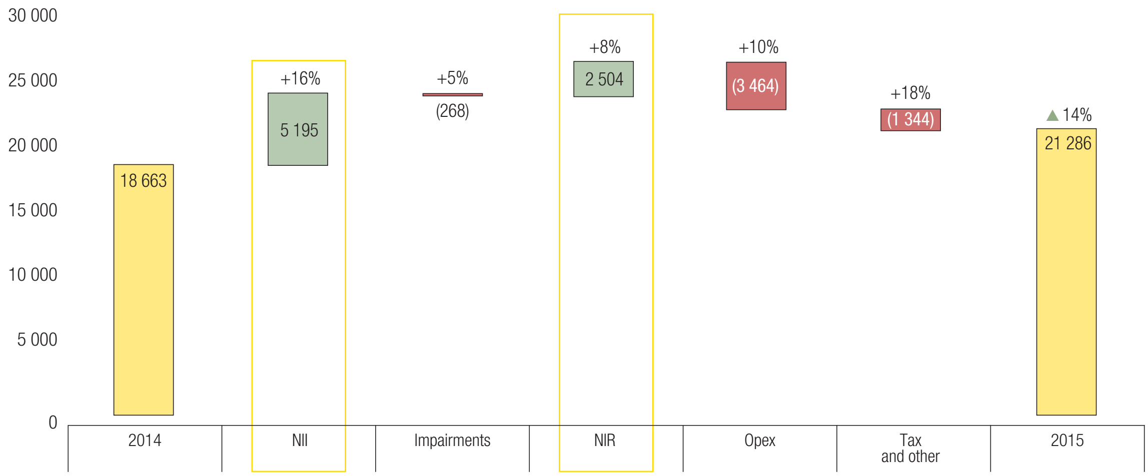
The group believes that pricing appropriately for credit risk is a key requirement for sustainable returns and expects a through-the-cycle charge of between 100 bps and 110 bps.

Continued strong topline growth

The graph below illustrates the group's performance which was underpinned by continued topline growth of 12%. Net interest income (NII) was the biggest contributor, growing 16% on the back of good growth in advances and deposits, and further margin expansion.

NORMALISED EARNINGS

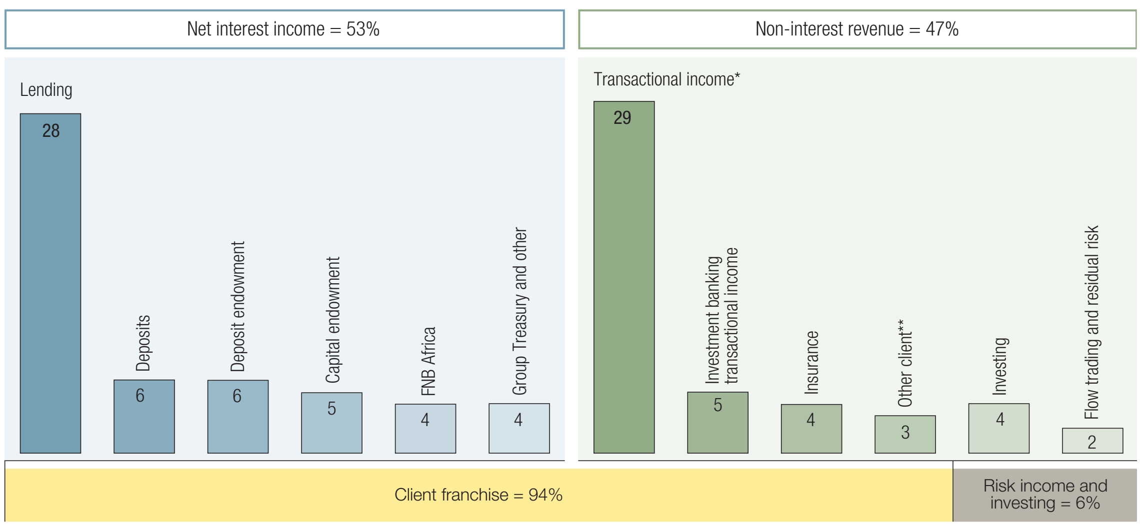
R million



As illustrated below, the group continues to earn the majority of its revenue from client activities which represent 94% of gross revenue and support the group's strategy of producing sustainable earnings within an acceptable level of volatility.

GROSS REVENUE ANALYSIS

% of gross revenue



* *From retail, commercial and corporate banking.*

** *Includes WesBank associates.*

Diversification of earnings

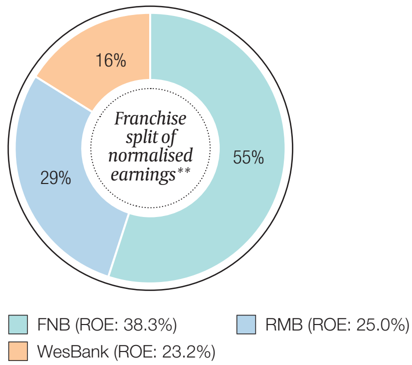
The group constantly evaluates the inherent value within its business model and portfolio as a whole and there are specific filters through which it makes these assessments.

A key consideration is the level of diversification that exists in the portfolio and the group considers this in the context of its strategy, performance targets and the macroeconomic environment. Key diversification measures relate to the relative contribution to earnings from each franchise, market segment, product and geographic footprint.

FirstRand's portfolio provides good diversification and represents the appropriate mix of business activities, at both a franchise and segment level.

FRANCHISE DIVERSIFICATION

Normalised earnings R million	2015	2014	% change
FNB	**11 300**	9 701	16
RMB	**5 888**	5 507	7
WesBank	**3 309**	3 013	10
FCC (incl. Group Treasury) and other*	**789**	442	79
FirstRand group	**21 286**	18 663	14



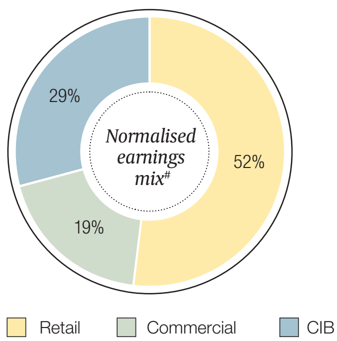
* *Other comprises FirstRand company, consolidation adjustments and NCNR preference dividend.*

** *FCC (which includes Group Treasury) is excluded from franchise contribution analysis.*

The group believes the current franchise contribution is appropriate given the macro cycle. RMB's contribution reduced from 30% to 28% year-on-year, impacted by the negative commodity cycle.

SEGMENT DIVERSIFICATION

Normalised earnings R million	2015	2014	% change
Retail	**10 688**	9 295	16
Commercial*	**3 921**	3 419	15
Corporate and investment banking	**5 888**	5 507	7
FCC (incl. Group Treasury) and other**	**789**	442	79
Group normalised earnings	**21 286**	18 663	14



* *Includes FNB commercial and WesBank*

** *Other comprises FirstRand company, consolidation adjustments and dividends paid on NCNR preference shares.*

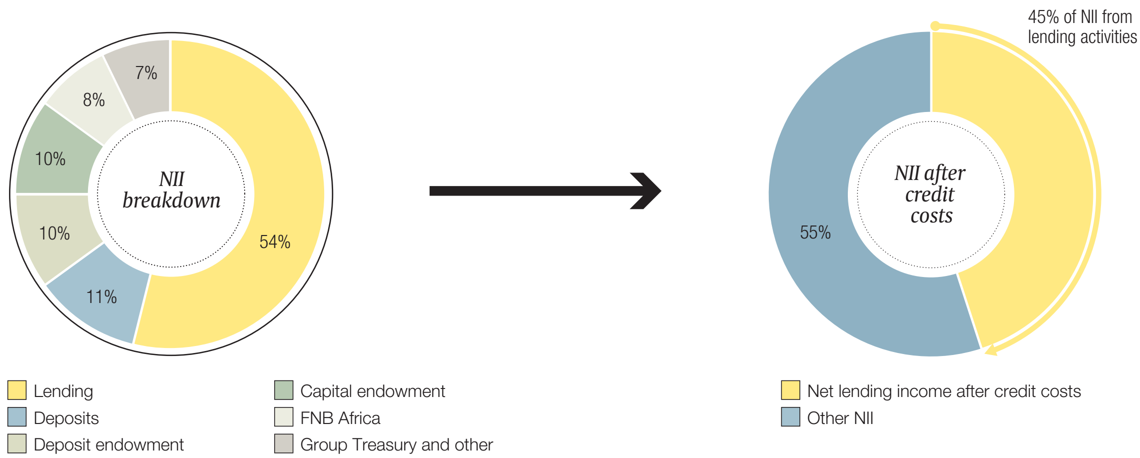
\# *FCC (which includes Group Treasury) is excluded from the segment contribution analysis.*

The contribution from the commercial segment reflects good progress made in rebalancing the portfolio and specific strategies in the commercial and business segments. The group continues its focus on growing its lending and transactional banking activities in the corporate segment.

Net interest income

NII showed strong growth of 16% on the back of resilient advances and deposit growth.

As can be seen from the charts below, although lending still remains the largest component of NII (with growth underpinned by advances and a slight widening in margins on certain asset classes), the picture is more balanced on a risk-adjusted basis.



Deposit income benefited from the absolute growth in deposit balances and the positive endowment effect.

Margins

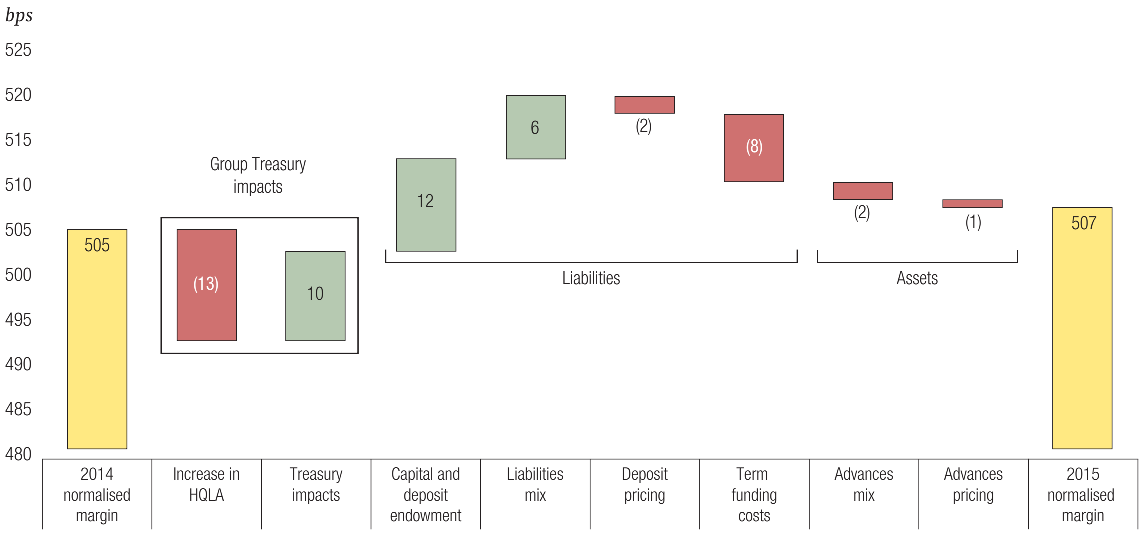
Net interest margin improved slightly from the restated 5.05% to 5.07% during the year. The positive endowment on capital and deposits, and the change in deposit mix were the main drivers of the uplift in margin, although the accumulation of HQLA assets and higher term funding costs dampened absolute growth.

As mentioned in the CEO's report, the group's strategy to make the balance sheet more liquid through increasing the levels of HQLA (which include certain large corporate related instruments that have lower comparative yields than existing average advances) had a negative margin impact of 13 bps. Group Treasury impacts shown in the graph below reflect mark-to-market movements on term funding instruments and the difference between actual liquidity costs incurred and liquidity costs recovered from business units.

Although certain portfolios benefited from asset repricing, many of the asset generators experienced pressure from higher term funding and liquidity costs.

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

MARGIN



Margins benefited from positive endowment due to higher interest rates and a change in deposit mix, although higher term funding cost and a change in asset mix curtailed absolute growth

Retail advances growth

Retail advances growth of 9% reflects the more constrained economic environment, although new business volumes in WesBank's MotoNovo (UK) business, credit card and transactional account-linked overdrafts and revolving loans at FNB remained resilient.

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

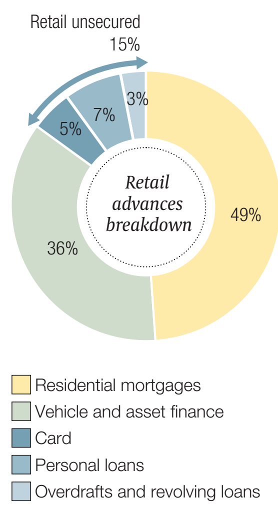
Retail advances

Mortgages	Affordable housing	SA VAF	UK VAF (MotoNovo)
→	↗	→	↗
Remaining conservative with focus on low-risk FNB customers; gradual improvement in demand	Continued strong demand and credit performance	Volumes tracking vehicle sales with appetite marginally reduced for higher-risk customers	Strong market position and benefiting from economic recovery
Card	**Personal loans**	**Rest of Africa**	**Other**
→	→	↗	→
Strong growth in line with FNB customer cross-sell strategy and transactional spend growth	Steady risk appetite maintained – growth benefiting from cross-sell	Strong growth across most markets focusing on FNB-banked customers	Neutral risk appetite, strong focus on cross-sell and lending activation

The composition and growth in the retail portfolios are detailed below.

RETAIL ADVANCES BREAKDOWN

R million	2015	2014	% change
Residential mortgages	**180 208**	171 173	5
VAF	**132 743**	119 120	11
Card	**19 488**	15 761	24
Personal loans	**24 333**	21 670	12
– Mass segment (FNB)	**4 203**	4 219	–
– Consumer segment	**20 130**	17 451	15
FNB	**9 653**	8 297	16
WesBank loans	**10 477**	9 154	14
Transactional account-linked overdrafts and revolving term loans	**12 314**	9 470	30
Retail advances	**369 086**	337 194	9
Retail VAF securitisation notes	**7 301**	–	



Credit card grew 24%, driven by FNB's strategy to leverage customers with transactional accounts, especially in the premier segment, as well as additional incentives for customers to spend on their credit cards.

Personal loan growth in the consumer market reflects a consistent strategy and appetite across both FNB loans and WesBank. Mass market loans remained relatively flat year on year.

For 2015 normalised reporting, certain investment securities have been reclassified into advances; the investment securities reclassified include debt securities qualifying as HQLA and securitisation notes. As the current securitisation notes reference retail VAF exposures, these are highlighted as part of the group's retail exposures in the table on the previous page.

Corporate and commercial advances growth

The origination appetite across corporate and commercial did not change with the exception of cross border transactions where appetite has moderated in high risk sectors, in line with the adverse commodity cycle. The table below again illustrates risk appetite and certain actions taken in the corporate and commercial portfolios, which provides insight on the group's origination strategies.

Commercial advances				
Commercial property finance	**Agri finance**	**Asset-backed finance**	**Small businesses (SMEs)**	**Rest of Africa and India**
Remained focused on banked owner-occupied and selective multi-tenanted deals	Continued to diversify exposure across commodities and geographically	Growth focus on customers across targeted industries	Cross-sell to relationship base with some tightening on new-to-bank and higher-risk business	Continue to target Africa-India corridor clients and introduce specialised product offerings

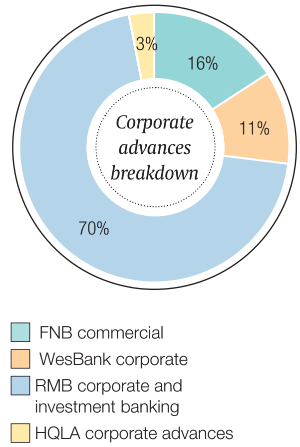
Corporate advances			
Working capital finance	**Infrastructure finance**	**Cross-border rest of Africa**	**South African corporates**
Tracking nominal SA GDP	SA renewable energy projects still drawing down	Moderated appetite in high-risk sectors	Lead arranger of the larger acquisition, leveraged finance and listed property transactions

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

Overall corporate advances growth did slowed in the second half of the financial year reflecting macro pressures, although full year growth remained robust at 11%.

R million	2015	2014	% change
RMB core South Africa	**184 010**	169 762	8
HQLA corporate advances	**9 494**	–	
Investment banking-related corporate advances	**193 504**	169 762	14
RMB cross-border	**27 871**	28 502	(2)
RMB repurchase agreements	**35 600**	32 753	9
RMB corporate banking	**6 147**	6 422	(5)
WesBank corporate	**39 796**	38 763	3
FNB commercial	**58 251**	49 903	17
Corporate advances	**361 169**	326 125	11
FNB Africa advances*	**45 740**	40 443	13

* *Includes corporate, retail and FRB India.*



Domestic corporate advances (including HQLA corporate bonds) growth remained strong at 14% and emanated from some large corporate actions in the market.

FNB commercial grew 17%, benefiting from targeted client acquisition and increased cross-sell.

For more information on the group's credit portfolio, refer to pages 177 to 214 of the risk and capital management report.

RMB and FNB delivered good growth in advances although slowing in the second half of the year reflecting more constrained macros

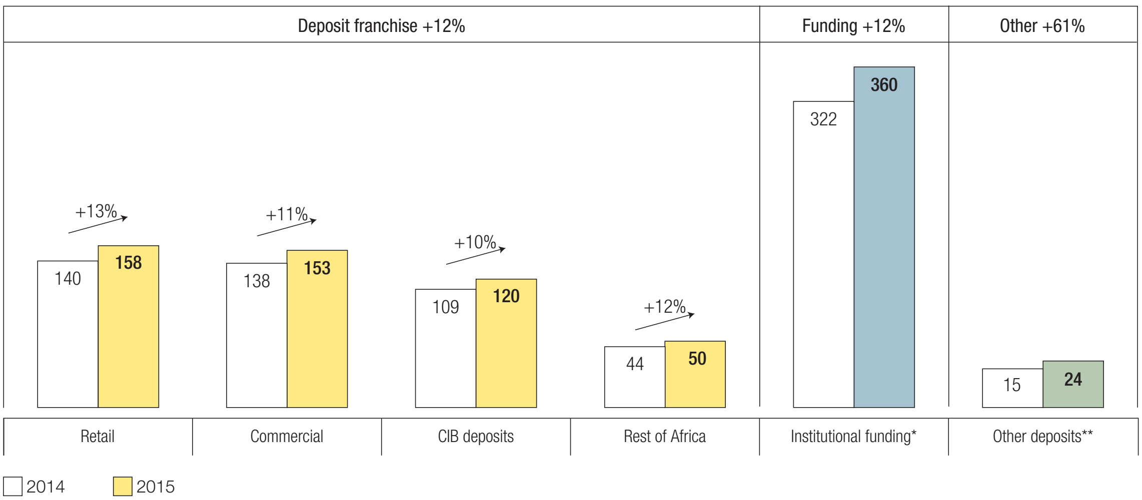
Deposit growth

The deposit franchise showed strong growth across all portfolios, driven by innovative products and certain pricing strategies.

Institutional funding now represents approximately one third of total funding, down from 41% in 2011. The institutional funding growth of 12% year-on-year reflects some specific foreign currency issuances in the current year – excluding these, institutional funding grew 5%. The growth in institutional funding in the current year also reflects the group's strategy to improve diversification in terms of maturity and investor base.

GROUP FUNDING BY SEGMENT

R billion

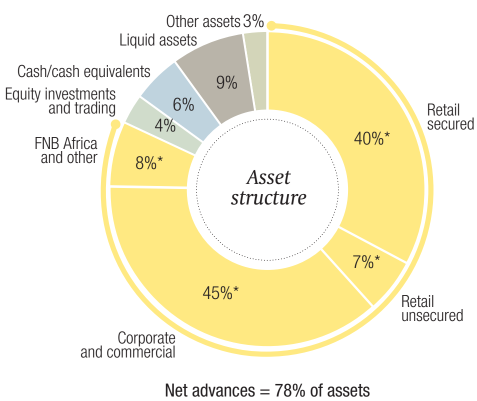


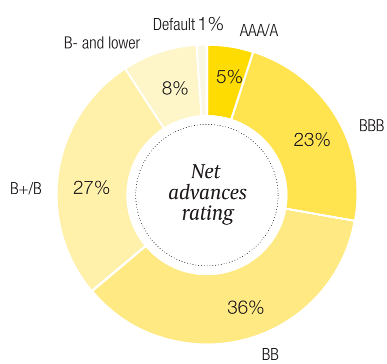
* *Includes CIB institutional funding and foreign currency issuances during the year.*

** *Includes liabilities relating to conduits and securitisations.*

Balance sheet strength and quality

When assessing the underlying risk in the balance sheet, the group's asset profile is dominated by a balanced advances portfolio, which constitutes 78% of total assets. The composition of the net advances portfolio consists of retail secured (40%), retail unsecured (7%), corporate and commercial (45%) and FNB Africa and other (8%). Total NPLs were R17.55 billion (2.21% as a percentage of advances) with a credit loss ratio of 0.77% and 91% of advances were rated B or better.





* *As a proportion of net advances.*

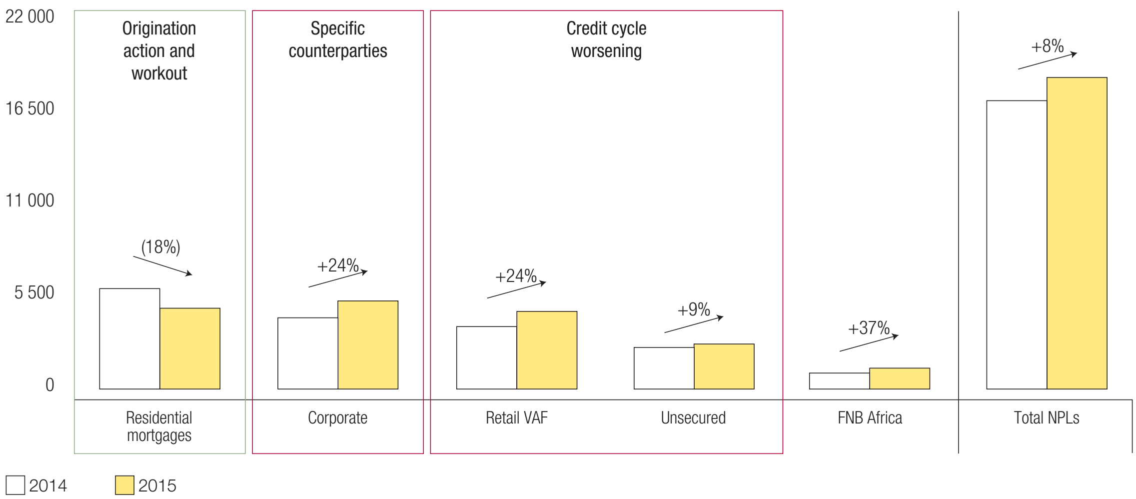
Note: Asset and liabilities trading positions for non-recourse, derivatives, securities lending and short trading position have been netted off.

NPLs and bad debts

The bad debt charge trended down from 84 bps to 77 bps in the current year, however, NPLs increased 8% and as can be seen from the graphs below, reflect a mixed picture characterised by:

- Mortgage NPLs declining more than R1 billion or 18%, benefiting from the workout actions and disciplined origination strategies;
- Increasing corporate NPLs driven by RMB, reflecting the impact of the adverse commodity cycle on certain counters in the mining and metals sector.
- VAF and unsecured NPLs reflecting increases of 24% and 9% respectively. The increase in VAF and unsecured lending NPLs reflect the worsening credit cycle, although NPL formation remains within expectations. FNB personal loan NPLs benefited from a reduction of 22% in the mass segment.

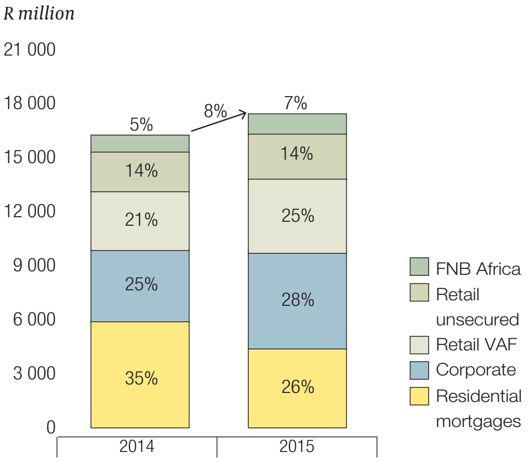
NPLs
R million



> The group increased overall levels of portfolio overlays reflecting its view that the credit cycle will deteriorate going forward

The marginal reduction in the total coverage ratio from 85.4% to 84.3% was driven by the relative change in mix of NPLs, as well as a marginal reduction in the performing book coverage ratio, as shown below.

NPLs



COVERAGE RATIOS

%	2015	2014
Retail – secured	**26.3**	24.0
Residential mortgages	**20.1**	19.9
VAF	**32.9**	30.6
Retail – unsecured	**67.0**	68.7
Credit card	**72.7**	73.0
Personal loans*	**62.1**	65.9
Retail – other	**77.6**	73.1
Corporate	**52.3**	62.8
FNB Africa	**35.5**	41.9
Specific impairments	**40.1**	40.8
Portfolio impairments**	**44.2**	44.6
Total coverage ratio	**84.3**	85.4

* *Includes FNB and WesBank loans.*

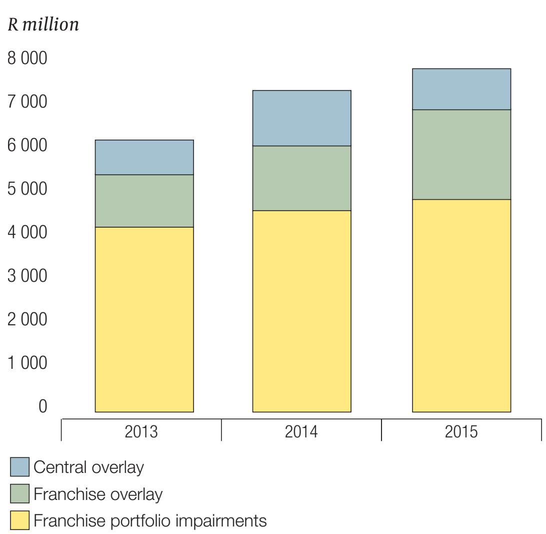
** *Includes portfolio overlays.*

The specific coverage ratio reduced marginally, primarily due to:

- Mass unsecured NPLs decreasing 22% with a higher relative coverage ratio.
- Corporate coverage decreasing, largely driven by RMB NPLs, a combination of certain higher provision exposures being resolved in the current year and newer NPLs having higher security values.
- The decline in FNB Africa coverage which was driven by the overall change in mix in the underlying portfolios.

Portfolio impairments increased 7% and, as shown in the chart below, the impact of proactive provisioning was a key driver. Total overlays increased year-on-year, with the franchises increasing their overlays given the emergence of the credit cycle, which allowed for the release of R325 million of central overlays. The central overlay still amounts to R925 million. Even with current book growth, the group maintained a performing book coverage ratio of 1% which still significantly exceeds the current annual charge.

PORTFOLIO IMPAIRMENTS

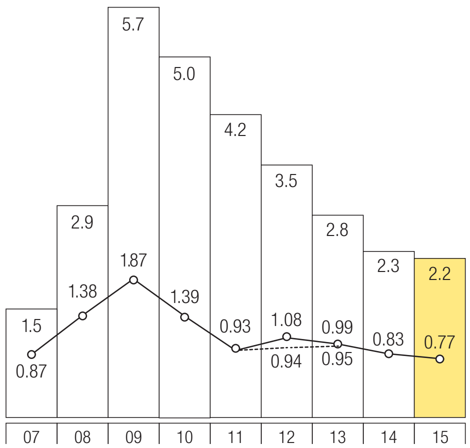


	2015	2014
Portfolio impairments as % of performing book	**1.00%**	1.05%
Bad debt charge (%)	**0.77%**	0.83%
Portfolio impairments (R million)	**7 760**	7 259

The overall increase in the bad debt charge was 5%, although strong book growth resulted in a reduction in the credit loss ratio from 0.83% to 0.77%. At a franchise level, this ratio increased to 0.81%.

Product impairment charges are shown in the table below, however, it is worth noting that:

- the residential mortgages charge of 6 bps has not changed since December 2014, but remains at a cyclical low; and
- the card and personal loans portfolios benefited from ongoing strong post-write off recoveries.

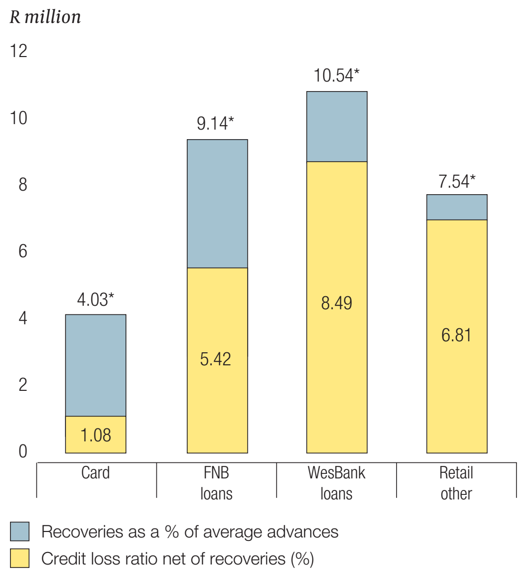


Credit loss ratios (%)	2015	2014
Retail – secured	**0.53**	0.54
Residential mortgages	**0.06**	0.09
VAF	**1.19**	1.22
Retail – unsecured	**4.82**	5.20
Credit card	**1.08**	0.70
Personal loans*	**6.73**	7.56
Retail – other	**6.81**	7.09
Total retail	**1.16**	1.18
Corporate and commercial	**0.45**	0.28
FNB Africa	**0.96**	0.90
Franchise impairment charge	**0.81**	0.74
Central portfolio overlay (releases)	**(0.04)**	0.09
Total credit loss ratio	**0.77**	0.83

* *Includes FNB and WesBank loans.*

The impairment charge for unsecured portfolios was significantly impacted by the high levels of post write-off recoveries, with over 69% of the R1.8 billion recoveries coming from the unsecured portfolios, as shown in the graph below.

CREDIT IMPAIRMENT CHARGE FOR UNSECURED PRODUCTS



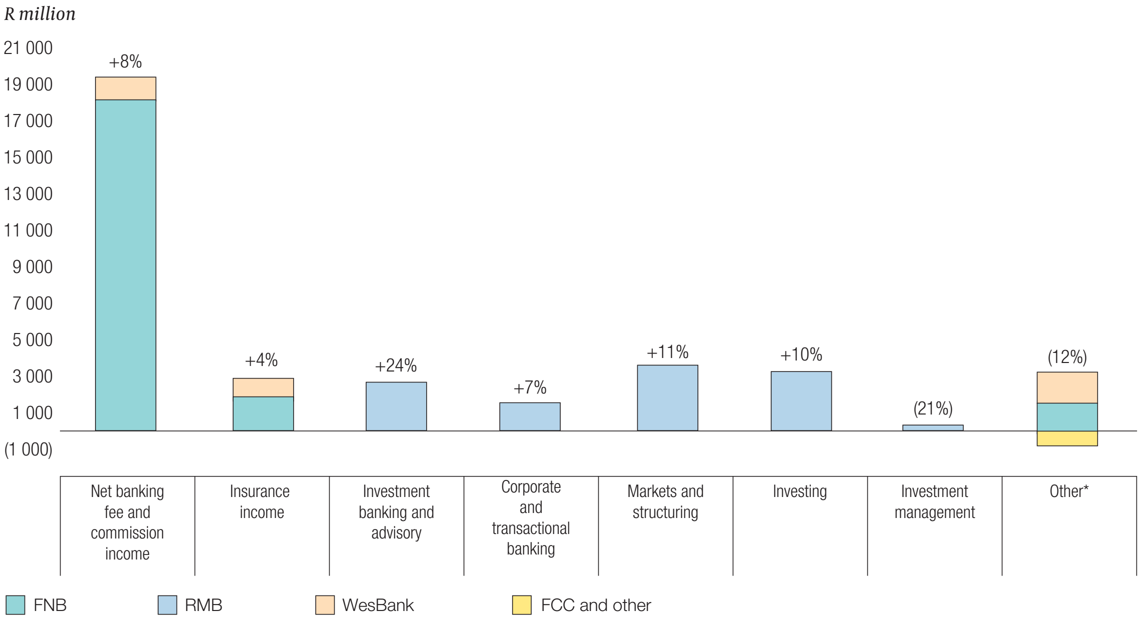
* *Credit loss ratio gross of recoveries (%).*

The group maintained a performing book coverage ratio of 1% which still significantly exceeds the current annual charge

NIR

NIR growth continued to be driven by client-centric activities, as illustrated in the chart below.

NON-INTEREST REVENUE



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

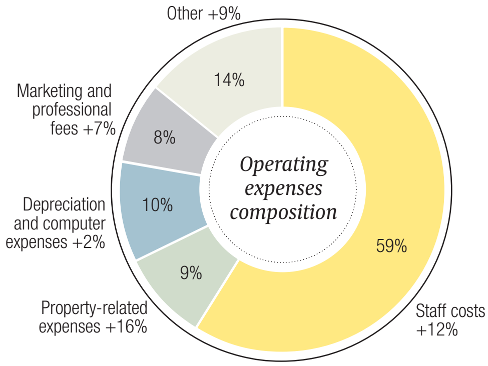
Total NIR, including income from associates and joint ventures, increased 8% year-on-year, with another strong contribution from FNB, which grew NIR 9% and continued to benefit from its strategies to grow fee and commission income (+9%), drive customers onto electronic platforms and generate good momentum in cross-sell.

FNB's NIR increased 9% year-on-year with continued strong growth of 12% in overall transactional volumes with electronic transactional volumes up 14%. ADT (automated deposit terminal) deposits increased 12%, whilst branch-based deposits decreased 20%. The ongoing success of FNB's electronic migration strategy is also reflected in strong growth in transactions online (+15%), banking app (+69%) and mobile (+25%). FNB's strategy to drive credit card as a transactional product also resulted in 13% growth in volumes, underpinned by good growth in new active accounts of 6%.

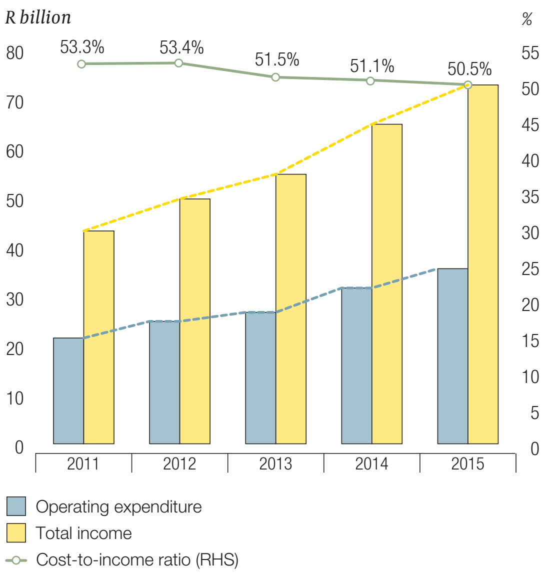
The group's NIR also benefited from RMB's investing activities, with good growth from equity-accounted income generated by private equity-related activities, boosted by realisations in excess of R1 billion. WesBank's NIR, including income from associates, increased 12% driven by strong inflows from insurance income in the VAF and personal loans portfolios as well as robust fee income on the back of advances growth.

Operating expenses

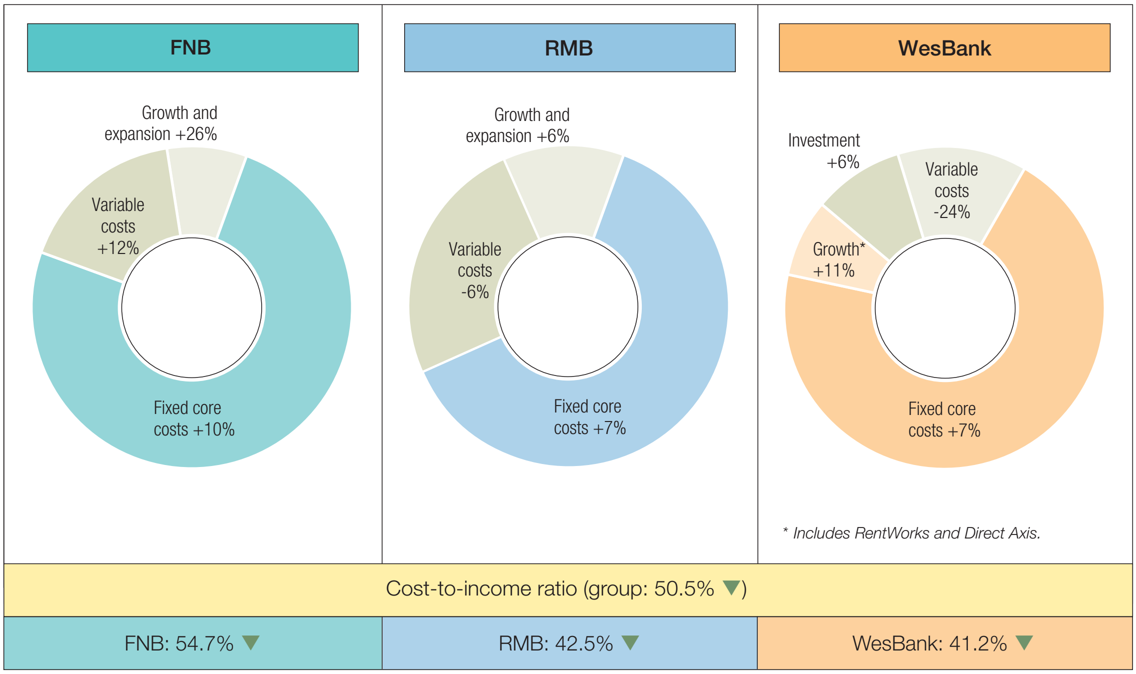
Overall operating cost growth was 10% for the year reflecting a 12% increase in staff costs (which are the largest contributor to costs as shown in the chart below) and continuing investment in infrastructure, operating footprint and regulatory requirements.



As can be seen from the chart below, the group's cost to income reduced further to 50.5% driven by strong topline growth. It is important to note that the group does not target a specific cost-to-income ratio – it is a reflection of its ability to leverage its operating platform to deliver returns to shareholders. The group will continue to focus on efficiencies, especially as topline comes under pressure.



The franchises have continued to invest for growth and platform enhancements, however, the overall cost base can be flexed if required given the level of variable revenue-linked costs and investment. These are shown below.



Taxation increased 18%

The group's effective tax rate increased one percentage point driven by the change in revenue mix, with strong growth in NII and standard-rate taxable NIR, e.g. fee and commission income.

Conclusion

The group continues to produce returns above its internal ROE target range of 18% to 22%. The franchises are well positioned to compete with innovative products, a customer-centric focus and a balance sheet that is well provisioned for the emergence of the credit cycle.

Harry Kellan
CFO

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FIVE YEAR REVIEW, HIGHLIGHTS AND OTHER

FIVE YEAR REVIEW

R million	2011*,**	2012	2013	2014	2015	Compound growth %
Statement of financial position – IFRS						
Total assets	697 927	765 528	865 732	945 535	**1 059 266**	11
Average assets	771 584	731 728	815 630	905 634	**1 002 401**	7
Net advances	464 593	527 279	601 065	685 926	**751 366**	13
Average advances	449 693	495 936	564 172	643 496	**718 646**	12
Impairment of advances	8 022	8 899	9 433	10 385	**11 230**	9
NPLs	19 790	18 712	17 231	16 281	**17 501**	(3)
Gross advances before impairments	472 615	536 178	610 498	696 311	**762 596**	13
Deposits	552 879	606 299	697 035	768 234	**865 521**	12
Capital and reserves attributable to equityholders of the group	61 150	66 218	76 137	85 033	**95 297**	12
Treasury shares	2 226	1 795	1 253	1 076	**–**	
Ordinary dividends	4 179	8 742	6 198	8 669	**10 724**	27
Total equity before dividends and treasury shares	67 555	76 755	83 588	94 778	**106 021**	12
Total ordinary equity	56 631	61 699	71 618	80 514	**90 778**	13
Assets under administration	790 758	904 485	996 608	1 148 345	**1 306 131**	13
Income statement – IFRS						
Net interest income before impairment of advances	17 369	21 882	24 769	29 878	**35 621**	20
Impairment of advances	(3 778)	(5 065)	(4 807)	(5 252)	**(5 150)**	8
Non-interest revenue	29 565	29 494	30 734	36 150	**37 421**	6
Share of profit of associates and joint ventures after tax	531	1 120	824	927	**1 539**	30
Operating expenses	(24 584)	(28 422)	(30 804)	(35 448)	**(38 692)**	12
Earnings attributable to ordinary equityholders	20 065	13 196	14 785	18 440	**21 623**	2
Headline earnings	9 856	12 642	15 327	18 671	**21 141**	21
Normalised earnings	10 805	12 730	15 420	18 663	**21 286**	18
Earnings per share (cents)						
– Basic	372.7	241.7	269.7	336.2	**390.1**	1
– Diluted	365.3	236.8	266.4	332.7	**390.1**	2
Headline earnings per share (cents)						
– Basic	183.1	231.5	279.6	340.4	**381.4**	20
– Diluted	179.4	226.9	276.2	336.8	**381.4**	21
Normalised earnings per share (cents)						
– Basic	191.6	225.8	273.5	331.0	**378.5**	19
– Diluted	191.6	225.8	273.5	331.0	**378.5**	19

* *During the year, Momentum was unbundled and OUTsurance was disposed of.*

** *2011 has not been restated for the new IFRS 10, IFRS 11 and the revised IAS 19.*

R million	2011*,**	2012	2013	2014	2015	Compound growth %
Dividend per share (cents)	81.0	102.0	136.0	174.0	**210.0**	27
Dividend cover based on headline earnings	2.3	2.3	2.1	2.0	**1.8**	
Dividend cover based on normalised earnings	2.4	2.2	2.0	1.9	**1.8**	
Special dividend per share (cents)	70.0	–	–	–	**–**	
NCNR preference dividends per share (cents)						
– February	313.55	305.20	320.30	320.30	**348.50**	3
– August	305.20	333.08	320.25	341.10	**363.90**	4
Net asset value per ordinary share (cents)	1 051.82	1 129.94	1 306.31	1 467.83	**1 637.54**	12
Shares in issue (millions)	5 637.9	5 637.9	5 637.9	5 637.9	**5 609.5**	–
Weighted average number of shares in issue (millions)	5 384.1	5 460.4	5 482.5	5 485.3	**5 543.6**	1
Diluted weighted average number of shares in issue (millions)	5 492.8	5 572.5	5 550.0	5 543.0	**5 543.6**	–

* *During the year, Momentum was unbundled and OUTsurance was disposed of.*

** *2011 has not been restated for the new IFRS 10, IFRS 11 and the revised IAS 19.*

R million	2011	2012	2013	2014	2015	Compound growth %
Key ratios						
Return on ordinary equity based on headline earnings (%)	18.2	21.2	23.0	24.5	**24.7**	
Price earnings ratio based on headline earnings (times)	10.8	11.4	10.3	12.0	**14.0**	
Price to book ratio (times)	1.9	2.3	2.2	2.8	**3.3**	
Market capitalisation (R million)	111 913	148 785	163 106	229 746	**299 098**	28
Closing share price (cents)	1 985	2 639	2 893	4 075	**5 332**	28
Cost-to-income ratio (%)	51.8	54.1	54.7	52.9	**51.9**	
Credit loss ratio	0.8	1.0	0.9	0.8	**0.7**	
NPLs as a % of gross advances (%)	4.19	3.50	2.82	2.34	**2.29**	
Non-interest income as a % of total income (%)	63.6	56.2	54.6	54.0	**50.2**	
Return on average total assets based headline earnings (%)	1.3	1.7	1.9	2.1	**2.1**	
Interest margin on average advances (%)	3.9	4.4	4.4	4.6	**5.0**	
Exchange rates						
Rand/USD						
– Closing	6.77	8.19	10.01	10.63	**12.14**	
– Average	6.96	7.78	8.84	10.38	**11.45**	
Rand/GBP						
– Closing	10.83	12.83	15.22	18.17	**19.12**	
– Average	11.08	12.31	13.86	16.89	**18.02**	
Statement of financial position (USD)*						
Total assets	103 044	93 471	86 487	88 950	**87 254**	(4)
Advances	68 594	64 381	60 046	64 527	**61 892**	(3)
Deposits	81 744	74 029	69 634	72 270	**71 295**	(3)
Total equity	9 028	8 085	7 606	7 999	**7 850**	(3)
Assets under administration	116 750	110 438	99 561	108 029	**107 589**	(2)
Income statement (USD)**						
Earnings attributable to ordinary equityholders	2 883	1 696	1 673	1 776	**1 888**	(10)
Headline earnings	1 416	1 625	1 734	1 799	**1 846**	7
Normalised earnings	1 552	1 636	1 744	1 798	**1 859**	5
Statement of financial position (GBP)*						
Total assets	64 396	59 667	56 881	52 038	**55 401**	(4)
Advances	42 867	41 097	39 492	37 750	**39 297**	(2)
Deposits	51 085	47 256	45 797	42 280	**45 268**	(3)
Total equity	5 642	5 161	5 002	4 680	**4 984**	(3)
Assets under administration	72 962	70 498	65 480	63 200	**68 312**	(2)
Income statement (GBP)**						
Earnings attributable to ordinary equityholders	1 811	1 072	1 067	1 092	**1 200**	(10)
Headline earnings	890	1 027	1 106	1 105	**1 173**	7
Normalised earnings	975	1 034	1 113	1 105	**1 181**	5

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

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

R million	2011*	2012	2013	2014	2015	Compound growth %
Continuing operations						
Earnings attributable to ordinary equity holders	9 889	13 196	14 785	18 440	**21 623**	22
Headline earnings	9 258	12 642	15 327	18 671	**21 141**	23
Normalised earnings	10 117	12 730	15 420	18 663	**21 286**	20
Earnings per share (cents)						
– Basic	183.1	241.7	269.7	336.2	**390.1**	21
– Diluted	179.5	236.8	266.4	332.7	**390.1**	21
Headline earnings per share (cents)						
– Basic	171.4	231.5	279.6	340.4	**381.4**	22
– Diluted	168.0	226.9	276.2	336.8	**381.4**	23
Normalised earnings per share (cents)						
– Basic	179.4	225.8	273.5	331.0	**378.5**	21
– Diluted	179.4	225.8	273.5	331.0	**378.5**	21
Normalised net asset value (R million)	58 858	64 409	72 696	81 590	**90 778**	11
ROE based on normalised earnings (%)	18.7	20.7	22.7	24.2	**24.7**	
Normalised cost-to-income ratio (%)	53.3	53.4	51.5	51.1	**50.5**	

* *Ratios based on results from continuing operations. Continuing operations exclude the effect of the sale of OUTsurance and the unbundling of MMI.*

KEY FINANCIAL RESULTS, RATIOS AND STATISTICS

for the year ended 30 June

R million	2015	2014	% change
Earnings attributable to ordinary equityholders	**21 623**	18 440	17
Headline earnings	**21 141**	18 671	13
Normalised earnings	**21 286**	18 663	14
Normalised net asset value	**90 778**	81 590	11
Normalised net asset value per share (cents)	**1 618.3**	1 447.2	12
Average normalised net asset value	**86 184**	77 143	12
Normalised earnings per share (cents)			
– Basic	**378.5**	331.0	14
– Diluted	**378.5**	331.0	14
Normalised ROE (%)	**24.7**	24.2	
Ordinary dividend (cents per share)	**210.0**	174.0	21
Dividend cover (times)	**1.8**	1.9	
Non-cumulative non-redeemable (NCNR) B preference dividend* – paid (cents per share)	**689.6**	640.6	8
Capital adequacy**			
Capital adequacy ratio (%)	**16.7**	16.7	
Tier 1 ratio (%)	**14.8**	14.8	
Common Equity Tier 1 (CET1) ratio (%)	**14.0**	13.9	
Market performance			
Market capitalisation	**299 098**	229 746	30
Price earnings ratio (times)	**14.1**	12.3	
Price-to-book ratio (times)	**3.3**	2.8	
Share price (closing – rand)	**53.32**	40.75	31

* *75.56% of FNB prime lending rate.*

** *Includes unappropriated profits.*

STATEMENT OF HEADLINE EARNINGS – IFRS (AUDITED)

for the year ended 30 June

R million	2015	2014	% change
Profit for the year (refer page 297)	**23 124**	19 786	17
Non-controlling interests	**(1 191)**	(1 058)	13
NCNR preference shareholders	**(310)**	(288)	8
Earnings attributable to ordinary equityholders	**21 623**	18 440	17
Adjusted for:	**(482)**	231	(>100)
Loss on disposal of investment securities and other investments of a capital nature	**1**	27	
Gain on disposal of available-for-sale assets	**(293)**	(69)	
Transfer to foreign currency translation reserve	**10**	–	
Gain on disposal of investments in associates	**–**	(61)	
Gain on disposal of investments in subsidiaries	**(220)**	(18)	
Loss on the disposal of property and equipment	**5**	32	
Fair value movement on investment properties	**(33)**	–	
Impairment of goodwill	**–**	128	
Impairment of assets in terms of IAS 36	**–**	151	
Tax effects of adjustments	**18**	26	
Non-controlling interests adjustments	**30**	15	
Headline earnings	**21 141**	18 671	13

DESCRIPTION OF DIFFERENCE BETWEEN NORMALISED AND IFRS RESULTS

The IFRS results are adjusted to take into account non-operational items and accounting anomalies.

CONSOLIDATED PRIVATE EQUITY SUBSIDIARIES

In accordance with IFRS, operating costs of consolidated private equity subsidiaries are included in profit or loss as part of operating expenses. When calculating normalised results, these operating costs are reclassified to NIR, where income earned from these entities is included. This presentation of net income earned from consolidated private equity subsidiaries more accurately reflects the underlying economic substance of the group's relationship with these entities.

FIRSTRAND SHARES HELD FOR CLIENT TRADING ACTIVITIES

The group invests in FirstRand shares to offset its exposure as a result of client trading positions. Depending on the nature of the client trading position and resulting risks, FirstRand shares may be held long or sold short by the group.

In terms of *IAS 32 Financial Instruments*: *Presentation*, FirstRand shares held by the group are deemed to be treasury shares for accounting purposes. For the statement of financial position, the cost price of FirstRand shares held long is deducted from equity and the consideration received from selling FirstRand shares short is added back to equity. All gains and losses on FirstRand shares are reversed to profit or loss.

In addition, in terms of *IAS 28 Investments in Associates*, upstream and downstream profits are eliminated when equity accounting is applied, and, in terms of IAS 32, profits or losses cannot be recognised on an entity's own equity instruments. For the income statement, the group's portion of the fair value change in FirstRand shares is therefore deducted from equity-accounted earnings and the investment recognised using the equity-accounted method.

Changes in the fair value of FirstRand shares and dividends declared on these shares affect the fair value of client trading positions reflected in the statement of financial position, unless the client trading position is itself an equity instrument. The change in the fair value of client trading positions is recognised in profit or loss. However, because of the rules relating to treasury shares and the elimination of upstream and downstream profits, when equity accounting is applied the corresponding fair value changes (or the group's portion of the fair value changes) in the FirstRand shares held to match client trading positions are reversed or eliminated. This results in a mismatch in the overall equity and profit or loss of the group.

For purposes of calculating normalised results, the adjustments described above are reversed and FirstRand shares held for client trading positions are treated as issued to parties external to the group.

Where the client trading position is itself an equity instrument, then neither gains nor losses on client trading positions or FirstRand shares held to hedge these are reflected in profit or loss or on the statement of financial position.

ECONOMIC INTEREST RATE HEDGES

From time to time the group enters into economic interest rate hedging transactions, which do not qualify for hedge accounting in terms of the requirements of IFRS. When presenting normalised results, the group reclassifies fair value changes on these hedging instruments from NIR to NII to reflect the economic substance of these hedges.

FAIR VALUE ANNUITY INCOME – LENDING

The group accounts for the majority of its wholesale advances book within RMB on a fair value basis in terms of IFRS. As a result, the margin on these advances is reflected as part of NIR.

When calculating normalised results, the group reclassifies the margin relating to the annuity fair value income earned on the RMB wholesale advances book from NIR to NII to reflect the economic substance of the income earned on these assets. The corresponding impairment charge is reallocated from NIR to impairment of advances. Fair value advances are adjusted to reflect the cumulative adjustment.

CREDIT-BASED INVESTMENTS INCLUDED IN ADVANCES

Certain corporate bonds and debt securities qualifying as HQLA and notes held in securitisation vehicles are classified as investment securities for IFRS purposes. The underlying nature and risk exposure of these assets is credit related and these assets were, therefore, reclassified from investment securities into advances.

US DOLLAR LIQUIDITY FUNDING

The group raised additional dollar funding and liquidity during the current and previous two financial years. Following IFRS, certain currency translations and costs associated with these funding actions are reflected against NIR. From an economic perspective, these impacts form part of the inherent cost of the dollar funding pool and as such, have been reflected against NII on a normalised basis.

IAS 19 REMEASUREMENT OF PLAN ASSETS

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

REALISATION ON THE SALE OF PRIVATE EQUITY SUBSIDIARIES

In terms of *Circular 2/2013 Headline Earnings*, gains or losses from the sale of subsidiaries are excluded from headline earnings.

The circular includes specific industry rules. Rule 1 allows entities to include in headline earnings gains or losses associated with private equity investments that are associates or joint ventures, which form part of trading or operating activities. This exclusion, however, does not apply to gains or losses associated with private equity investments that are subsidiaries. The group includes gains or losses on the sale of private equity subsidiaries in normalised results to reflect the nature of these investments.

CASH-SETTLED SHARE-BASED PAYMENTS AND THE ECONOMIC HEDGE

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

In terms of *IAS 39 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 group defers the recognition of the fair value gain or loss on the hedging instrument to the specific reporting period in which the IFRS 2 impact will manifest in the group's results. This reflects the economic substance of the hedge and associated IFRS 2 impact for the group.

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

EQUITY-SETTLED SHARE-BASED PAYMENTS AND TREASURY SHARES: CONSOLIDATION OF STAFF SHARE TRUST

IFRS 2 requires that all share-based payment transactions for goods or services received must be expensed with effect from financial periods commencing on or after 1 January 2005.

In 2005 the group concluded a BEE transaction. As part of this transaction, rights were granted to the group's black South African employees and black non-executive directors. These rights are accounted for as expenses in accordance with IFRS 2. The group hedged itself against the price risk of the FirstRand share price inherent in these schemes by buying, in the open market, the FirstRand shares required to settle these schemes. These shares are held in various share trusts. In addition to the 2005 grants, the staff share trusts received MMI Holdings Limited (MMI) shares pursuant to the unbundling of MMI. These schemes all vested on 31 December 2014 and the staff received the FirstRand and MMI shares due to them.

IFRS 10 Consolidated Financial Statements required certain of these share trusts to be consolidated by the group. The FirstRand shares held by the staff share trusts were, therefore, treated as treasury shares. MMI shares held by the staff share trusts were treated as available-for-sale equity investments. On vesting all the assets and liabilities in the trusts were used in the vesting of the shares and the wind-up of the trusts.

From an IFRS perspective the following expenses are recognised for the period from 1 July 2014 until the vesting date:

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

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

- historically FirstRand shares held by staff share schemes were treated as issued to parties external to the group and loans to share trusts were recognised as external loans. As these trusts have now been unwound and the loans settled this adjustment is no longer required;
- IFRS 2 expense is reversed; and
- IAS 19 expense relating to the fair value movement in the MMI shares is reversed.

HEADLINE EARNINGS ADJUSTMENTS

All adjustments that are required by *Circular 2/2013 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 49. These adjustments include the write back of impairment losses recognised on intangible assets and goodwill.

REVIEW OF OPERATIONS

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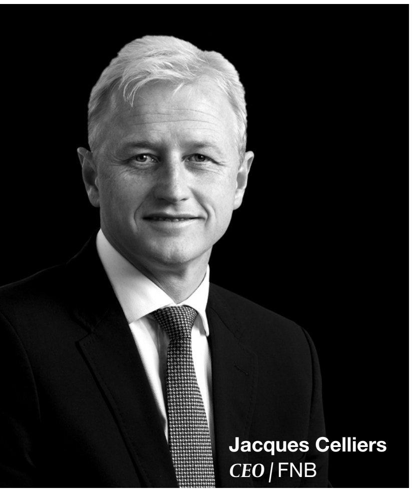
FNB REVIEW OF OPERATIONS



Jacques Celliers
CEO | FNB

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

Normalised earnings ↑	Return on equity	Core advances ↑
16%	38.3%	10%

EXECUTION ON STRATEGY

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

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

Innovation remains central to FNB's growth strategy, with the internal innovation programme producing 1 480 innovations implemented during the period, all of which have contributed to earnings.

The four strategic drivers to FNB's innovation programme remain the same, namely to:

- gain new customers and migrate customers onto low cost electronic channels;
- retain and increase cross-sell to existing customers;
- drive operational efficiencies and reduce fraud; and
- return value to customers through rewards.

Examples of how particular innovations arising from these drivers have directly impacted FNB's performance include:

- increased cross-sell with more take-up to come from the existing base;
- lower credit card fraud write-offs despite higher card turnover;
- 17% reduction in customers teller cash volumes while automated deposit terminal (ADT) cash deposits are up 12%;
- branch cost increases are below inflation for another year whilst card swipes are up 14%; and
- manual transactions decreased marginally while electronic transactions have increased 14%.

FNB's technology continues to provide a safe and secure way for customers to bank online and through smart devices and cellphones. Savings and economies of scale generated from the use of electronic channels are passed on to customers through lower fees and attractive rewards, hence total NIR growth is lower in percentage terms to that of volume growth.

PERFORMANCE COMMENTARY

FNB produced another good performance for the year, increasing pre-tax profits 16%, driven by a strong operational performance from the South African franchise which posted growth in both NII and NIR. FNB produced an improved ROE of 38.3%, which remains well above hurdle rates, despite ongoing investment in platforms and new territories; this reflects the strength and quality of its transactional franchise, the optimisation of credit risk capital and a growing deposit franchise.

SEGMENT ANALYSIS OF NORMALISED EARNINGS

	FNB SA			FNB Africa*			Total FNB		
R million	**2015**	**2014**	**%**	**2015**	**2014**	**%**	**2015**	**2014**	**%**
Net interest income	**18 633**	16 143	15	**3 068**	2 639	16	**21 701**	18 782	16
Non-interest revenue	**18 604**	17 214	8	**2 723**	2 271	20	**21 327**	19 485	9
Operating expenses	**(19 902)**	(17 987)	11	**(3 654)**	(3 105)	18	**(23 556)**	(21 092)	12
Income before indirect tax	**15 283**	13 317	15	**1 723**	1 475	17	**17 006**	14 792	15
Indirect tax	**(435)**	(487)	(11)	**(83)**	(65)	28	**(518)**	(552)	(6)
Income before direct tax	**14 848**	12 830	16	**1 640**	1 410	16	**16 488**	14 240	16
Normalised earnings	**10 691**	9 240	16	**609**	461	32	**11 300**	9 701	16
Advances	**284 117**	258 823	10	**45 740**	40 443	13	**329 857**	299 266	10
Total deposits	**311 211**	277 937	12	**49 655**	44 460	12	**360 866**	322 397	12
NPLs (%)	**2.63**	3.29		**2.61**	2.15		**2.63**	3.14	
Cost-to-income ratio (%)	**53.4**	53.9		**63.1**	63.2		**54.7**	55.1	
Credit loss ratio (%)	**0.76**	0.84		**0.96**	0.90		**0.79**	0.85	
ROA (%)							**3.32**	3.13	
Advances margin (%)	**3.58**	3.39		**4.69**	5.21		**3.58**	3.39	

* *Includes FNB India.*

FNB's overall NII increased 16% driven by growth in both advances (+10%) and deposits (+12%). The performance of the lending businesses presented a mixed picture:

- the business and commercial segments benefited from good advances growth and low levels of impairments;
- residential mortgage advances showed modest growth of 5%, with NPLs still declining significantly;
- personal loans performed strongly with controlled growth of advances and a significant reduction in impairments. Strong collections, lower NPLs and an improved book risk profile resulted in impairments decreasing 27%; and
- credit card continued to benefit from post-write off recoveries, however, there is some pressure in overdrafts and revolving loans in the consumer and premium segments.

Segment analysis of deposits and advances is below.

SEGMENT ANALYSIS OF ADVANCES AND DEPOSIT GROWTH

	Year ended 30 June 2015			
	Deposit growth		**Advances growth**	
Segments	**%**	**R billion**	**%**	**R billion**
Retail	13	**18.6**	8	**16.9**
FNB Africa	12	**5.2**	13	**5.3**
Commercial	11	**14.7**	17	**8.3**

FNB's bad debt charge dropped to 0.79% of advances, with NPLs trending down to 2.63%. Following strong book growth in previous periods, credit appetite continues to be adjusted and provisions bolstered. Overall provisioning levels for FNB have remained conservative with overlays maintained.

FNB continues to see significant traction in the migration of its customer base onto electronic channels. NIR increased 9% year-on-year with continued strong growth of 12% in overall transactional volumes with electronic transactional volumes up 14%. ADT deposits increased 12%, whilst branch-based deposits decreased 20%. The ongoing success of FNB's electronic migration strategy is also reflected in strong growth in transactions online (+15%), banking app (+69%) and mobile (+25%). The strategy to drive credit card as a transactional product also resulted in 13% growth in volumes, underpinned by good growth in new active accounts of 6%.

NIR growth is under pressure in the consumer segment due to adjustments to certain fees. In addition, since mid-March reduced interchange impacted NIR and this will continue to be the case. FNB however, believes volume growth emanating from its cash-to-card migration strategy will offset the impact of interchange to some degree.

FNB's cross-sell strategy achieved particularly good traction in the premier segment where the ratio improved 23% year-on-year. This was driven by the introduction of new products.

FNB's overall operating expenditure increased 12%, reflecting ongoing investment in its operating footprint, particularly in the rest of Africa (costs up 18%). The business, however, continues to deliver positive operating jaws and the cost-to-income ratio decreased to 54.7%.

FNB's subsidiaries in the rest of Africa performed well, growing normalised pre-tax profits 16%. Namibia in particular generated significantly higher profits on the back of balance sheet growth, improved margins and increased transactional volumes. Botswana and Mozambique experienced some cyclical and funding headwinds; Zambia and Tanzania continued to invest in footprint and product rollout.

OPERATIONAL HIGHLIGHTS

Commercial and business segment

- **Market share (tracker survey results)** in December 2014:
  - growth (0 – R10 million) - maintained its position as market leader (31% market share); and
  - commercial (R10 million+) showed an increase in market share.
- **South African consumer satisfaction index (SAcsi) 2014 results** (released 2015) FNB Business was:
  - leader in SAcsi in the growth segment;
  - leader in SAcsi (together with Nedbank) in the 10 million + segment;
  - leader with regards to RMs in the 10 million + space; and
  - leader with regards to online channel in the business segment.
- **Value adds:**
  - The **alternative energy solutions** project has gone live, with generators being made available for purchase via eBucks.com. The next phase of the project will focus on solar and other off-the-grid solution options for customers.
  - **FNB business' range of instant solutions** now extends to **instant invoicing and instant cashflow**, both of which help ease the administrative pressures of managing a business. **Instant invoicing** enables the client to produce

tax client invoices, without using the full IA (instant accounting) package. The new instant invoicing offering allows clients to create a SARS tax compliant Invoice, representing a better quality profile customer. **Instant cashflow** assists clients to view future cash flow forecasts through predictive cash flow graphs and reports. These reports will allow customers to input information and change variables, to see how this will impact on future cash flows.

– **public sector banking:** initiated and ran the **FNB Academy for Municipal Excellence (FAME)** – endorsed by COGTA, during the current year. FAME enables FNB to assist government in addressing key issues in local government aimed at improving service delivery to all people. FNB business is the first business bank to establish such an initiative whereby the aim was to engage both banked and non-banked clients to address key local government challenges across the country.

Premium segment

- Repositioning/rebranding of the three client segments in the premium space – **Premier, Private Clients, and Private Wealth**.
- **Rebranded the graphite offering** into FNB Private Clients.
- Launch of **FNB Channel Islands** - obtained a banking licence in the Channel Islands in order to offer clients offshore currency transactional and savings accounts.
- **RMB Private Bank:**
  - revamped brand and value proposition; and
  - notice deposit attracts no monthly or transactional fees, allows withdrawals and deposits of any amount and the benefit of an interest rate that increases twice automatically.

Consumer segment

- **Consumer education** radio reached 4.3 million listeners on 11 stations;
- The Financial Literacy Face to Face programme has six educators in six regions, with focus areas working class 70: communities 20 and learners 10. In 2014/15 there were 1 080 sessions with 146 436 participants and 33 000 learners. One Gospel Channel on DSTV 331 broadcasts to 1 million viewers since November 2007 to 47 countries in Africa. Be Financially Smart reached 2million viewers via **this channel**; and
- a total of three million new eWallets have been created in the 2014/15 , an increase of 41%; and
- FNB Connect prepaid sales of airtime, electricity and data during the year under review amounted to R99.7 million, up 17% on the previous year.

CUSTOMER FRANCHISE AND OPERATING FOOTPRINT

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

As previously mentioned, FNB has for several years consistently grown its customer base, particularly focusing on core transactional accounts. Whilst FNB believes that overall customer growth can continue in the medium term, its focus has shifted to growing an appropriate mix of customers to facilitate its cross-sell strategy.

During the current year, FNB embarked on a process to clean up its customer data numbers. This resulted from FNB's focus on cross-sell opportunities and growing the deposit franchise in the current year. Historically if there was a deposit balance in the account and the bank was earning revenue (margin) the customer was counted as active. This was changed and if the balance in the account was below R200 and there was no interaction with the customer in the last 12 months, the account was classified as dormant/inactive and excluded from the customer data. This resulted in over 300 000 (majority in retail, approximately a 2% reduction) customers' accounts being reclassified as dormant and total customers therefore total 7.1 million on this basis.

As a result of this process, technically the VSI/cross-sell now increases from 2.35 June 14 to 2.55 in June 15 given that these dormant customers effectively only had one product.

Another measure of the sustainability of the client franchise is customer satisfaction and, to monitor this, FNB uses the internationally accredited and recognised South African Customer Satisfaction Index (SAcsi). The index provides information relating to:

- quality of specific service attributes of a channel in relation to customer expectations;
- complaints across the bank in general as well as what percentage of total complaints can be attributed to a specific channel;
- overall satisfaction with FNB in general as well as specific channels;
- provide benchmark and comparative figures for all the major banks in the industry.

The index classifies FNB as a leader in customer satisfaction in that the business scores significantly better than the industry average with a score of 76.8 compared to the industry's 73.7. With reference to complaints, FNB is on par with the industry.

FNB continued to increase its operating footprint in both South Africa and its African subsidiaries. FNB Mozambique extended its ATM network along with the launch of numerous new products. FNB Zambia grew its branch network from 16 to 25 branches year-on-year and rolled out in excess of 350 point-of-sale devices during the financial year, resulting in increases in customer numbers and balance sheet growth. FNB Swaziland increased its ATM footprint adding 10 new ATMs and now represents the largest ATM network in Swaziland. The purchase of prepaid electricity across all channels (ATM, cellphone banking and online banking) was also successfully rolled out.

	FNB – South Africa			FNB – Rest of Africa		
	2015	**2014**	**% change**	**2015**	**2014**	**% change**
Banking channels:						
Representation points (branches, agencies)	**723**	744	(3)	**145**	133	9
ATMs	**4 978**	4 793	4	**818**	688	19
ADTs	**1 651**	1 326	25	**–**	–	–
Total ATMs (including ADTs)	**6 629**	6 119	8	**818**	688	19

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

SA's Strongest Brand
- Brand Finance 2012, 2013, 2014 and 2015

SA's Coolest Bank
- Sunday Times Generation Next Survey 2012, 2013, 2014 and 2015

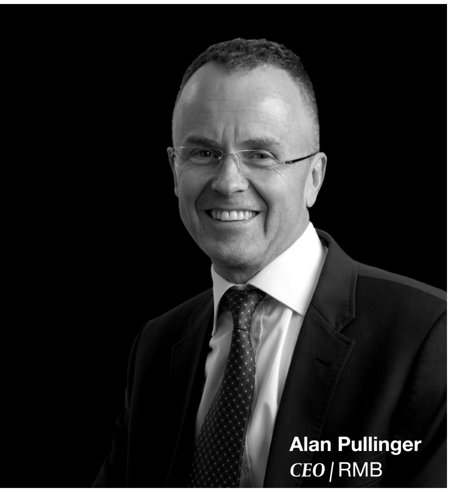
Sunday Times Top Brands
- #1 Corporate Bank 2013 and 2014

- Largest financial institution on all major social media platforms in SA
- South African consumer satisfaction index (SAcsi) – March 2015
- SA's best ranked Banking App
- SA's best ranked cellphone banking
- FNB Banking App ranked 6th best globally by UX Alliance
- FNB Private Wealth and RMB Private Bank have been named top-ranked private banks in the Intellidex-Moneyweb Private Banks and Wealth Managers Survey May 2015
- RMB Private Bank won the Euromoney Best Private Bank with investment banking capability 2015
- FNB Online Banking ranked SA's best online banking in Columinate Internet Banking SITEisfaction Survey 2015
- FNB banking app ranked 7th and 4th best globally in the MyPrivateBanking Report – Mobile Apps for Wealth Management 2014 and 2015 respectively

RMB REVIEW OF OPERATIONS

RMB

RMB represents the group's activities in the corporate and investment banking segments in South Africa, the broader African continent and India. RMB's primary strategy is to generate more income from client-driven activities, anchored around a risk appetite designed to effectively manage the trade-offs between earnings volatility, profit growth and returns. This strategy, coupled with steady investment return and a growing focus on originating asset management products, is delivering a high quality and sustainable earnings and return profile.



Normalised earnings ↑	Return on equity	Core advances ↑
7%	25.0%	8%

EXECUTION ON STRATEGY

RMB actively manages its portfolio to ensure the appropriate mix of client, investing and investment management activities. The business continues to generate most of its income from client-driven activities and leveraged its superior origination capability to secure ancillary revenues and, coupled with strong investment returns, deliver a balanced and sustainable earnings profile across its core activities. Emphasis is also being placed, in collaboration with Group Treasury, on developing innovative solutions to proactively manage liquidity and funding.

During the year, RMB continued to expand its activities in the rest of Africa by leveraging off FNB's operations in key African markets, using its market-leading product and sector expertise in certain growth sectors on the broader African continent and capturing flows in the Asia-Africa trade and investment corridors. Client strategies (retention and growth) in conjunction with investment in training and development programmes that have been implemented, continue to contribute to performance, with strong client acquisition and product up-sell opportunities across all jurisdictions. Ongoing investment will be required to build sufficient scale in certain African jurisdictions to ensure growth over the medium to long term.

RMB remains focused on building a meaningful corporate transactional business in order to offer holistic corporate and investment banking solutions, with certain focused client initiatives starting to yield product cross-sell opportunities.

In support of FirstRand's strategy to grow its investment management offering, RMB continues to develop products and platforms that leverage its markets and investment banking skills to deliver structured product, ETFs and specialised funds. These alternative investment products are supplied to and distributed by Ashburton Investments and other group franchises.

Performance commentary

R million	Year ended 30 June 2015	2014	% change
Normalised earnings	**5 888**	5 507	7
Normalised profit before tax	**8 307**	7 688	8
Total assets	**413 700**	390 209	6
Total liabilities	**403 375**	380 107	6
ROE (%)	**25.0**	25.7	
ROA (%)	**1.41**	1.45	
Credit loss ratio (%)	**0.42**	0.20	
Cost-to-income ratio (%)	**42.5**	45.0	

RMB produced solid results for the year with pre-tax profits increasing 8% to R8.3 billion and the business delivering a satisfactory ROE of 25%. This performance was achieved against a challenging economic environment and results from a high quality portfolio of businesses, particularly resilient investment banking and growing corporate banking franchises. RMB's balance sheet remains robust, the quality of earnings continues to improve and enhanced operational leverage has contributed to a decline in cost-to-income ratio to 42.5%.

Since 2012, RMB has been managing its business on a core activity view and, whilst its organisational structure remains based on the four separate divisions reported on previously, namely Investment Banking (IBD), Global Markets, Private Equity and Corporate Banking, the intention is to report on the activity view going forward.

For comparison purposes, the table below shows the year under review's financial performance on both a divisional and activity view. The operational review is on the basis of RMB's activities.

BREAKDOWN OF PROFIT CONTRIBUTION BY ACTIVITY

Normalised PBT R million	Year ended 30 June 2015 IB&A	C&TB	M&S	Investing	Inv Mngt	Other	Total	2014 Total	% change
Global Markets	**–**	**348**	**1 794**	**116**	**37**	**–**	**2 295**	1 986	16
IBD	**3 076**	**–**	**68**	**451**	**73**	**–**	**3 668**	4 083	(10)
Private Equity	**–**	**–**	**–**	**1 869**	**–**	**–**	**1 869**	1 212	54
Other RMB	**–**	**–**	**–**	**–**	**–**	**(247)**	**(247)**	(151)	(64)
Investment banking	**3 076**	**348**	**1 862**	**2 436**	**110**	**(247)**	**7 585**	7 130	6
Corporate banking	**–**	**680**	**42**	**–**	**–**	**–**	**722**	558	29
Total RMB – 2015	**3 076**	**1 028**	**1 904**	**2 436**	**110**	**(247)**	**8 307**	7 688	8
Total RMB – 2014	2 928	861	1 581	2 266	203	(151)	7 688		
% change	5	19	20	8	(46)	(64)	8		

Note:

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

The investment banking and advisory activities grew off a high base in a challenging environment, whilst facing increasing funding and liquidity costs. In addition, impairments raised against mining and metals, and oil and gas exposures in the core lending book impacted results further. This is considered prudent action given the ongoing deterioration in the outlook for those sectors. The quality of RMB's investment banking and advisory activities resulted in a number of significant M&A mandates being secured, both domestic and international, which positively impacted profitability.

Corporate and transactional banking activities performed well benefiting from focused client coverage initiatives, increased demand for trade and working capital products and higher deposit balances. This was, however, offset by increasing credit provision requirements against specific NPL exposures.

Markets and structuring activities delivered a solid performance, despite challenging market conditions and increased competitive pressures. Bespoke structuring transactions produced significant earnings growth as did the operations in the rest of Africa. There were some additional benefits from increased local and international price volatility within fixed income, currency and commodity markets.

RMB's investing activities showed good growth, also off a high base. Private Equity produced excellent results and continues to benefit from the quality and diversity of its portfolio, reporting strong equity-accounted earnings and solid income from investment subsidiaries. Earnings were positively impacted by significant realisations and despite this, the unrealised value of the portfolio increased to R4.9 billion (2014: R3.9 billion).

Franchise-wide head office costs, endowment on capital invested, legacy portfolios and RMB Resources are reflected in other activities. The legacy portfolio realised a marginal profit of R11 million, curtailing the loss of R183 million in the prior year. Unfortunately, the RMB Resources business reported a loss of R409 million for the period with both the equity and debt portfolios under pressure as a result of sharply declining commodity prices and the inability of counterparties to raise further funds to advance their projects. RMB has taken the decision to exit these activities over the next 24 months and will undertake an orderly unwind of the portfolio with no new investments. Given the project risk inherent in junior mining, the trade-off between limited upside, but significant downside, no longer aligns with RMB's appetite for earnings volatility.

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

African Banker Awards
- Investment Bank of the Year (2013, 2014 & 2015)

Euromoney Awards for Excellence
- Best Investment Bank in South Africa (2013, 2014 & 2015),
- Best M&A House in Africa (2015)

Africainvestor 2015
- Bank Arranger of the Year

DealMakers 2014
- 1st General Corporate Finance Investment Adviser (by transaction value)

Global Custodian South Africa Domestic Survey 2014/2015
- Domestic Market Outperformer, Domestic Category Outperformer

JSE Spire Awards 2014:
- Best Research Team — Credit
- Best Research Team — Africa
- Best Debt Origination Team
- Best Team — Inflation Bonds
- Best Repo Team
- Best Market Making Team — Interest Rate Derivatives
- Best On-Screen Market Making Team — Interest Rate Derivatives
- Best On-Screen Market Making Team — FX
- Best Structuring Team — Inflation/Credit/FX
- Best Market Maker — Cash Settled Commodity Derivatives

EMEA Finance Achievement Awards 2014
- Best Restructuring in Africa (Alexander Forbes)
- Best Syndicated Loan in EMEA (INT Towers)
- Best Supranational Syndicated Loan (African Finance Corporation)
- Best M&A Deal in Africa (Pepkor/Steinhoff)
- Most Innovative Bond (FirstRand's KrugerRand Bond)

WESBANK REVIEW OF OPERATIONS

Chris de Kock
CEO | WesBank

WesBank represents the group's activities in instalment finance in the retail and corporate and commercial segments in South Africa, the UK and the rest of Africa. There are five distinct business units delivering these services into their chosen markets using a partnership model which includes leading manufacturers and large dealer groups in the automotive market, equipment suppliers in the corporate space and companies with large diversified client bases in the personal loans space. This represents a unique business model differentiated through highly innovative products and processes.

Normalised earnings ↑	Return on equity	Core advances ↑
10%	23.2%	10%

EXECUTION ON STRATEGY

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

The retail motor business has further strengthened its manufacturer relationships with two new alliances this year. WesBank believes its point-of-sale presence, strong relationships and alliances, coupled with efficient new business acquisition processes, innovative customer and partner solutions and competitive commission structures, allows for high quality origination.

WesBank's corporate and commercial offering is gaining traction and now incorporates a full suite of products including traditional instalment finance, leases, technology rentals (through its subsidiary RentWorks), and full maintenance rental capabilities.

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

The unsecured lending business, marketed under a number of alliance brands, including Direct Axis, CashPower, Telesure and Clientele personal loans, has also shown good new business and advance growth, bolstered by new alliances created in the prior year. This growth was achieved through the application of a consistent and disciplined credit appetite within the target market.

WesBank's insurance business, which spans the retail and corporate portfolios continues to deliver a meaningful contribution to NIR with plans to further expand the product range and improve penetration into the existing client base. Post the year end, WesBank formalised its long-standing relationship with Hollard Insurance Company through the formation of a new holding company. This entity will consolidate the existing insurance products provided through WesBank and Hollard and included the acquisition of two other entities, Motorite and SMART. WesBank will own 81% and Hollard will hold the remaining 19% of the new entity.

The objective of this initiative will be to offer the best value-added motor products in the market. Motorite offers a variety of vehicle warranty and maintenance products, while SMART specialises in body repair cover and offers paint and dent protection products.

By combining resources it is envisaged that going forward WesBank will be in a very strong position to provide innovative and competitively priced solutions for vehicle buyers.

Given the cyclical nature of WesBank's domestic retail businesses, through strategies to diversify revenue streams, from a product sector and geographical perspective, coupled with more effective credit risk management, the franchise is expected to deliver sustainable growth and returns through the cycle.

FINANCIAL PERFORMANCE

	Year ended 30 June		
R million	**2015**	**2014**	**% change**
Net interest income	**8 796**	8 213	7
Impairments	**(2 539)**	(2 081)	22
Non-interest revenue*	**3 918**	3 505	12
Operating expenses	**(5 243)**	(5 069)	3
Income before indirect tax	**4 932**	4 568	8
Indirect tax	**(239)**	(253)	(6)
Normalised profit before tax	**4 693**	4 315	9

* *Includes share of profit of associates and joint ventures.*

KEY RATIOS

	Year ended 30 June	
%	**2015**	**2014**
ROE	**23.2**	26.6
Cost-to-income ratio	**41.2**	43.3
Credit loss ratio	**1.45**	1.35
NPLs	**3.20**	2.86
ROA	**1.82**	1.88
Net interest margin	**4.72**	5.05

WesBank continues to deliver a resilient performance despite its sensitivity to the local retail credit cycle. Solid growth in new business volumes underpinned a 9% increase in pre-tax profits to R4.7 billion, an ROE of 23.2% and an ROA of 1.82%. These results reflect the strength of WesBank's franchise, adherence to disciplined credit origination and effective sales channels.

New business volumes increased across all of WesBank's retail portfolios, but remain within appropriate risk parameters with systematic tightening continuing in credit appetite for higher risk segments. Overall profit before tax was up 9% year-on-year with personal loans and MotoNovo growing 9% and 35% (in GBP terms), respectively. Local retail VAF's performance continues to be impacted by the pressures facing consumers, with advances up 1.7% year-on-year. WesBank's rest of Africa business grew advances 10% year-on-year (these figures are reported under FNB Africa). Interest margins are trending down mainly due to higher funding and liquidity costs and the ongoing shift in mix from fixed- to floating-rate business. Corporate profits came under pressure as a result of specific counterparty defaults. Profitability in the fleet business came under pressure.

As anticipated, bad debts in the local VAF portfolio remained fairly flat and within WesBank's through-the-cycle thresholds, and provisioning continues to be conservatively applied. NPLs are up 22% year-on-year, but remain inflated by the high proportion of restructured debt review accounts, most of which are still paying according to arrangement. This conservative treatment is in line with group practice with 34% of NPLs currently under debt review (compared to 29% in the prior year), a high percentage of which have never defaulted, or reflect balances lower than when these went into debt review.

NIR, including income from associates, increased 12% mainly as a result of stronger inflows from insurance income in the VAF and personal loans portfolios as well as robust fee income on the back of advances growth.

Growth in core operating costs remained below inflation, increasing 3%, and WesBank's cost-to-income ratio decreased year-on-year reflecting excellent cost containment.

FINANCIAL AND OPERATING HIGHLIGHTS

- Advances growth of 10% to R183 billion.
- New business growth of 9% to R99.8 billion; underpinned by
  - motor increased 0.5% to R57.5 billion;
  - corporate reduced 2% to R14.3 billion;
  - unsecured lending increased 9% to R7.1 billion; and
  - MotoNovo increased 59% to R20.7 billion (44% growth in GBP).
- Strong growth continues within the newer established alliances in the unsecured lending portfolio within credit appetite.
- Implementation of iContract origination and juristic scorecards in the corporate business increased service delivery and efficiency.
- Geographic and product expansion driving growth in the MotoNovo Finance business.
- Continued positive outcomes of customers under debt review.
- Good core operating cost containment increasing positive jaws.

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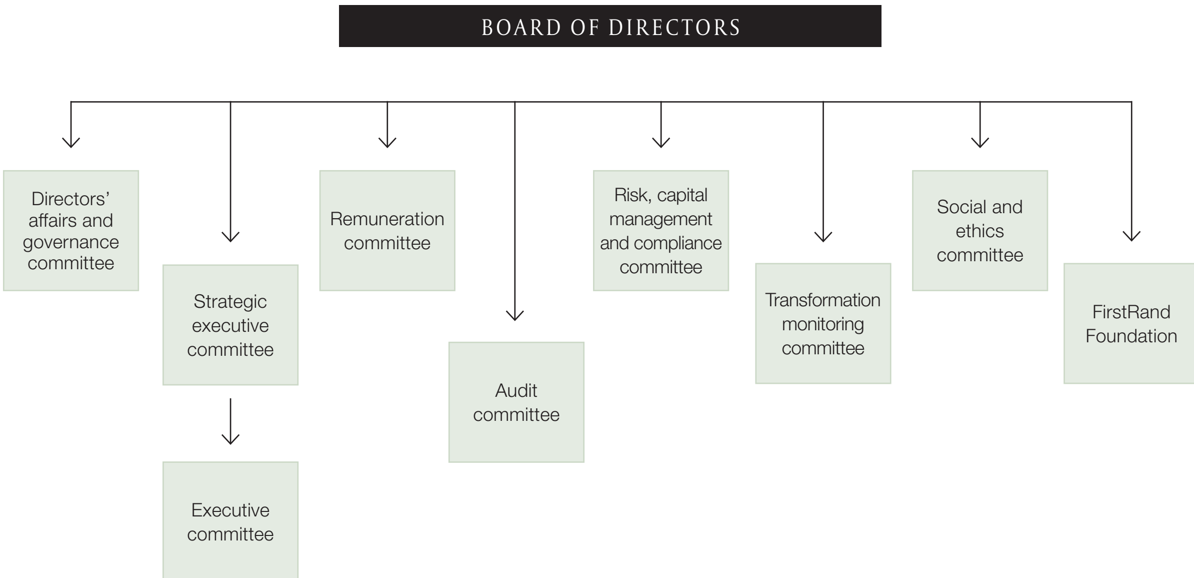
CORPORATE GOVERNANCE

CORPORATE GOVERNANCE

FirstRand's board of directors oversees implementation of the highest standards of corporate governance at all operations.

GOVERNANCE STRUCTURE

Each board committee has a clearly defined set of responsibilities supporting the long-term success of the group.

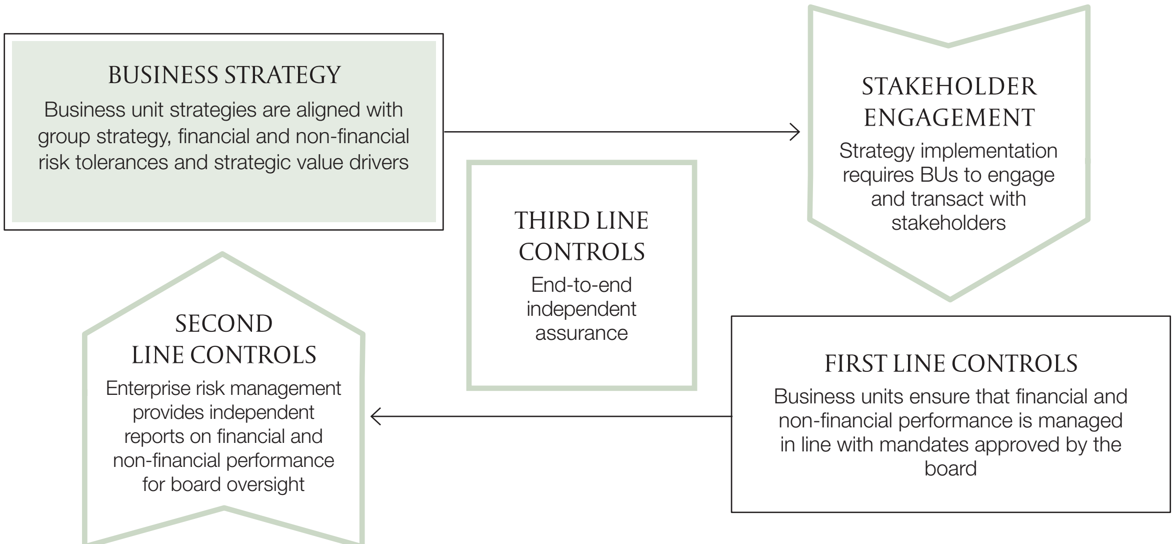


The board is assisted by FirstRand's strategic executive committee, which is the custodian of the group's strategy and allocation of financial resources within the board-approved risk/reward framework. The committee is chaired by FirstRand's CEO and is composed of the deputy CEO, financial director and the CEOs of FNB, RMB and WesBank.

ECONOMIC IMPACT

During the year the board oversaw the creation of over R90.1 billion of economic value for the group's stakeholders.

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



Stakeholder engagement

FirstRand has defined its stakeholders as entities and individuals that are affected by its activities and can impact the group's strategies and objectives.

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

ECONOMIC IMPACT

	2015		2014	
	R million	**%**	**R million**	**%**
Value added				
Interest income after impairments	**53 810**	**59.7**	45 160	56.7
Non-operating revenue	**39 012**	**43.3**	37 028	46.5
Non-operating expenses	**(2 691)**	**(3.0)**	(2 553)	(3.2)
Value added by operations	**90 131**	**100.0**	79 635	100.0
To employees				
Salaries, wages and other benefits	**23 215**	**25.8**	20 671	26.0
To providers of funding	**34 373**	**38.1**	29 491	37.0
Dividends to shareholders	**11 034**		8 957	
Interest paid	**23 339**		20 534	
To suppliers	**11 664**	**12.9**	10 968	13.7
To government	**8 076**	**9.0**	6 829	8.6
Normal tax	**7 164**		5 937	
Value added tax	**855**		872	
Capital gains tax	**19**		11	
Other	**38**		9	
To communities				
CSI spend	**170**	**0.2**	128	0.2
To expansion and growth	**12 633**	**14.0**	11 548	14.5
Retained income	**10 899**		9 771	
Depreciation and amortisation	**2 195**		2 137	
Deferred income tax	**(461)**		(360)	
Total value added	**90 131**	**100.0**	79 635	100.0

Non-financial reporting policies

FirstRand's non-financial reporting policies are aligned to the Global Reporting Initiative (GRI) G3 guidelines, incorporating recommendations set out in the King III code on Corporate Governance in South Africa (King III), JSE Socially Responsible Investment (SRI) index, Black Economic Empowerment (BEE) transformation requirements set out by the Financial Sector Charter and the Department of Trade and Industry (dti) Codes of Good Practice.

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

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

BOARD OF DIRECTORS

During the year ended 30 June 2015 FirstRand's board comprised **21 members**. *18 of FirstRand's directors were non-executive, 11 of whom were independent. The roles of the chairman and CEO are separate and the* **composition of the board** *ensures a* **balance of authority** *precluding any one director from exercising* **disproportionate powers** *of* **decision making.**

BOARD ATTENDANCE

	Sep 2014	Nov 2014	Feb 2015	April 2015	May 2015
LL Dippenaar*	✓	✓	✓	✓	✓
SE Nxasana**	✓	✓	✓	✓	✓
JP Burger**	✓	✓	✓	✓	✓
HS Kellan**	✓	✓	✓	✓	✓
VW Bartlett#	✓	✓	✓	✓	A
JJH Bester# (retired December 2014)	✓	✓	–	–	–
MS Bomela*	✓	✓	✓	✓	✓
P Cooper*	✓	✓	✓	A	✓
L Crouse*	✓	✓	✓	✓	✓
JJ Durand*	✓	✓	✓	✓	✓
GG Gelink#	✓	✓	✓	✓	✓
PM Goss#	✓	✓	✓	✓	✓
NN Gwagwa#	✓	✓	✓	✓	A
PK Harris*	✓	A	✓	✓	✓
WR Jardine#	✓	✓	✓	✓	✓
RM Loubser# (appointed September 2014)	–	✓	✓	✓	✓
EG Matenge-Sebesho#	✓	✓	✓	✓	✓
AT Nzimande*	✓	✓	✓	✓	✓
D Premnarayen#	✓	A	✓	✓	✓
KB Schoeman*	✓	✓	✓	A	A
BJ van der Ross#	✓	A	✓	✓	✓
JH van Greuning#	✓	✓	✓	✓	✓

* *Non-executive director.*
** *Executive director.*
\# *Independent non-executive director.*
A *Apologies tendered and accepted.*

DEFINITION OF INDEPENDENCE

For the purpose of this integrated report directors are defined as follows:

- executive directors are employed by, or contracted to, FirstRand Limited or any company in the group. This includes directors participating in share incentive schemes;
- non-executive directors are those who represent FirstRand's BEE partners and those who are also directors of RMB Holdings or Remgro Limited and are not classified in that company as independent; and
- all other directors are classified as independent non-executive directors. This includes those directors who participated in the FirstRand black non-executive directors' share trust established as part of FirstRand's BEE transaction.

The board is satisfied that these classifications do not conflict with those of sections 3.84(f) of the JSE Listings Requirements.

SKILLS AND EXPERIENCE

LAURITZ LANSER (LAURIE) DIPPENAAR (66)
Non-executive chairman
MCom, CA(SA)
Appointed July 1992

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

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

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

Directorships – FirstRand Group
– FirstRand Bank Limited – chairman
– First National Bank*
– Rand Merchant Bank*

Directorships – external
– Centre for Development and Enterprise
– Think Tank University of Pretoria
– OUTsurance Holdings Limited – chairman
– OUTsurance Insurance Company Limited
– OUTsurance Life Insurance Company Limited
– RMB Holdings Limited
– Rand Merchant Insurance Holdings Limited

** Divisional board*

SIZWE ERROL NXASANA (58)
Chief executive officer
BCom, BCompt (Hons), CA(SA)
Appointed January 2006

Sizwe Nxasana started his career at Unilever. In 1989 he established Sizwe & Co, the first black-owned audit practice in KwaZulu-Natal. In 1996 he became the founding partner of Nkonki Sizwe Ntsaluba, the first black-owned national firm of accountants and was national managing partner until 1998 when he joined Telkom SA as CEO. He held this position until August 2005.

He joined the board of FirstRand Bank Holdings in 2003 and was appointed CEO with effect from January 2006. In February 2006 he was appointed as an executive director of FirstRand. Sizwe was appointed CEO of FirstRand in January 2010.

FirstRand – committee memberships
– Asset liability and capital
– Audit – *ex officio*
– Executive – chairman
– Large exposures
– Remuneration – *ex officio*
– Risk, capital management and compliance – *ex officio*
– Social and ethics committee
– Strategic executive – chairman
– Transformation monitoring – *ex officio*

Directorships – FirstRand Group
– Ashburton Investments Holdings Limited
– FirstRand Bank Limited
– FirstRand EMA Holdings Proprietary Limited
– FirstRand Insurance Holdings Proprietary Limited
– FirstRand Investment Holdings Proprietary Limited
– FirstRand Life Assurance Limited
– First National Bank* – chairman
– Rand Merchant Bank* – chairman
– FirstRand Foundation – chairman
– FirstRand Empowerment Foundation – chairman

Directorships – external
– Cygnitouch Investments Proprietary Limited
– MMI Holdings Limited
– The Banking Association South Africa

** Divisional board*

JOHAN PETRUS BURGER (56)
Deputy chief executive officer
BCom (Hons), CA(SA)
Appointed January 2009

Johan Burger joined RMB in 1986, where he performed a number of roles before being appointed financial director in 1995. Following the formation of FirstRand Limited in 1998, he was appointed financial director of the FirstRand Banking Group and in 2002 was appointed CFO of the FirstRand Group. In addition to his role as Group CFO, Johan was appointed as Group COO in 2009. He was appointed to his current role as deputy CEO in October 2013.

Prior to joining FirstRand, Johan completed his articles with Coopers & Lybrand (now PwC) and qualified as a chartered accountant in 1984.

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

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

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

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

** Divisional board*

HETASH (HARRY) SURENDRAKUMAR KELLAN (43)
Financial director
BCom, BCom (Hons), CA(SA)
Appointed January 2014

Harry Kellan graduated from the University of Witwatersrand in 1994 and qualified as a chartered accountant after serving articles at Arthur Andersen. He spent nearly six years with Arthur Andersen in Johannesburg and London and thereafter over four years with HSBC South Africa in the corporate finance department.

He joined FNB in 2005 and was appointed CFO in 2007. In January 2014 he was appointed financial director of FirstRand Limited.

FirstRand – committee memberships
- Audit – *ex officio*
- Executive
- Large exposures
- Remuneration – *ex officio*
- Risk, capital management and compliance – *ex officio*
- Strategic executive
- Transformation monitoring

Directorships – FirstRand Group
- FirstRand Bank Limited
- FirstRand EMA Holdings Proprietary Limited
- FirstRand Finance Company Proprietary Limited
- FirstRand Insurance Holdings Proprietary Limited
- FirstRand Life Assurance Limited
- FirstRand Investments Holdings Proprietary Limited
- First National Bank*
- Rand Merchant Bank*
- WesBank*

** Divisional board*

VIVIAN WADE (VIV) BARTLETT (72)
Independent non-executive director
AMP (Harvard), FIBSA
Appointed May 1998

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

FirstRand – committee memberships
– Audit
– Credit risk management
– Directors' affairs and governance
– Large exposures
– Remuneration

Directorships – FirstRand Group
– FirstRand Bank Limited
– First National Bank*
– RMB Co-Investment Trust – trustee

** Divisional board*

JURIE JOHANNES HUMAN BESTER (73)
Independent non-executive director
BSc Eng Elect (Pret), ISMP (Harvard)
Appointed July 2010
Retired December 2014

Jurie Bester is a seasoned banker with a broad range of experience and expertise in banking and financial services, risk management, risk modelling and risk quantification. He was the Head of Risk Management at RMB, and Risk and Audit Services of the FirstRand Banking Group from 1997 until his retirement in 2005.

FirstRand – committee memberships
– Audit
– Directors' affairs and governance
– Large exposures – chairman
– Remuneration
– Risk, capital management and compliance – chairman

Directorships – FirstRand Group
– Ashburton Investments Holdings Limited
– FirstRand Bank Limited
– RMB Co-Investment Trust – trustee

MARY SINA BOMELA (42)
Non-executive director
BCom (Hons), CA(SA), MBA
Appointed September 2011

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

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

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

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

Directorships – FirstRand Group
– FirstRand Bank
– Ashburton Investments Holdings Limited

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

PETER COOPER (59)
Alternate non-executive director
BCom (Hons), HDip Tax, CA(SA)
Appointed July 2013

Peter Cooper graduated from the University of Cape Town. After qualifying as a chartered accountant in 1981 he worked in the financial services sector, first as a tax consultant and later specialising in structured finance. Peter joined RMB's special projects division in 1992 and transferred to RMB Holdings Limited in 1997. He is the immediate past CEO of RMB Holdings (FirstRand's most significant shareholder) as well as of its sister company, Rand Merchant Insurance Holdings Limited, both of which are listed on the JSE Limited.

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

Directorships – FirstRand Group
– FirstRand Bank Limited

Directorships – external
– Imperial Holdings Limited
– OUTsurance Holdings Limited
– OUTsurance International Holdings Proprietary Limited
– OUTsurance Insurance Company Limited
– RMB Holdings Limited
– Rand Merchant Insurance Holdings Limited
– RMB-SI Investments Proprietary Limited– chairman
– RMB Structured Insurance Limited
– RMB Structured Life Limited

LEON CROUSE (62)
Non-executive director
CA(SA)
Appointed September 2008

Leon Crouse studied at the Nelson Mandela Metropolitan University in Port Elizabeth and after obtaining a Certificate in the Theory of Accounting in 1976, qualified as a chartered accountant in 1977. During his professional career of more than 30 years, he gained financial knowledge and experience by lecturing at the University of Stellenbosch and holding various financial management positions in the sectors of telecommunications, clothing and textiles, luxury goods and chemicals.

He joined the former Rembrandt Group in 1986 in which year he transferred to Switzerland to hold the position of financial controller of Compagnie Financiere Richemont AG and to be part of the team that unbundled the luxury goods business of the Rembrandt Group to form Richemont and list it on the Swiss, Luxembourg and South African Stock Exchanges.

In 1993, as a Rembrandt appointee, he returned to South Africa to become a founder member of the Vodacom Group executive team. Rembrandt, at the time, held a 15% interest in Vodacom. During his nearly 15 year career at Vodacom, he served as general manager (finance) from 1993 to 1996 and as CFO from 1996 to March 2008. He joined Remgro in April 2008 as designate director: group finance and was appointed to the Remgro board on 18 June 2008.

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

Directorships – FirstRand Group
– FirstRand Bank Limited

Directorships – external
– Dark Fibre Africa Proprietary Limited
– MMI Holdings Limited
– Rand Merchant Insurance Holdings Limited – alternate director
– Remgro Limited
– RMB Holdings Limited
– Total South Africa Proprietary Limited

JAN JONATHAN (JANNIE) DURAND (48)
Non-executive director
BAcc (Hons), MPhil (Oxon), CA(SA)
Appointed October 2012

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

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

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

Directorships – FirstRand Group
– FirstRand Bank Limited

Directorships – external
– Discovery Holdings Limited
– Distell Group Limited
– Grindrod Limited
– Mediclinic International Limited
– RCL Foods Limited
– Remgro Limited
– Rand Merchant Insurance Holdings Limited
– RMB Holdings Limited – alternate director
– Unilever South Africa Holdings Limited

GRANT GLENN GELINK (65)
Independent non-executive director
BCompt (Hons), BCom (Hons), CA(SA)
Appointed January 2013

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

FirstRand – committee memberships
– Audit
– Directors' affairs and governance
– Remuneration
– Risk, capital management and compliance

Directorships – FirstRand Group
– FirstRand Bank Limited
– WesBank* – chairman

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

** Divisional board*

PATRICK MAGUIRE (PAT) GOSS (67)
Independent non-executive director
BEcon (Hons), BAccSc (Hons), CA(SA)
Appointed May 1998

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

He has served as a director of various group companies for the past 35 years. A former chairman of the Natal Parks Board, his family interests include Umngazi River Bungalows and certain other conservation related activities.

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

Directorships – FirstRand Group
– FirstRand Bank Limited
– Rand Merchant Bank*

Directorships – external
– Gossaker Investments Proprietary Limited
– Gringoss Investments Proprietary Limited
– Goss and Company Proprietary Limited
– Rand Merchant Insurance Holdings Limited
– RMB Holdings Limited
– Umngazi Mouth Proprietary Limited

** Divisional board*

NOLULAMO NOBAMBISWANO (LULU) GWAGWA (56)
Independent non-executive director
BA (Fort Hare), MTRP (Natal), MSc (cum laude) (London), PhD (London)
Appointed February 2004

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

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

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

Directorships – FirstRand Group
- FirstRand Bank Limited

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

PAUL KENNETH HARRIS (65)
Non-executive director
MCom
Appointed July 1992

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

FirstRand – committee memberships
- Directors' affairs and governance

Directorships – FirstRand Group
- FirstRand Bank Limited

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

WILLIAM RODGER (ROGER) JARDINE (49)
Independent non-executive director
BSc (Physics), MSc (Radiological Physics)
Appointed July 2010

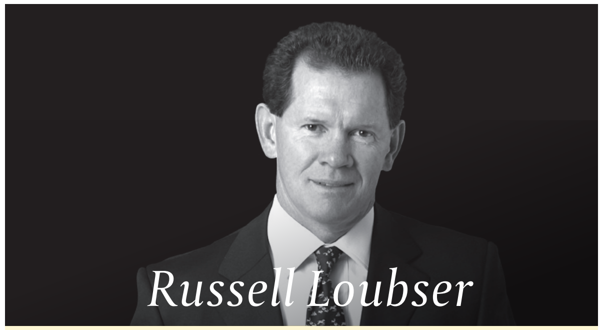
Roger Jardine was national coordinator of science and technology policy in the department of economic planning of the African National Congress from 1992 to 1995. In 1995, he became the director general of the Department of Arts, Culture, Science and Technology. He was chairman of the board of the CSIR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

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

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

Directorships – FirstRand Group
– FirstRand Bank Limited

Directorships – external
– Go Transit Proprietary Limited
– Jozi Gold Proprietary Limited
– Primedia Holdings Proprietary Limited
– Primedia Proprietary Limited
– The Sharks Proprietary Limited



RUSSELL MARK LOUBSER (65)
Independent non-executive director
BCom (Hons) (Accounting), MCom (Statistics), CA(SA)
Appointed September 2014

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

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

FirstRand – committee memberships
– Audit
– Directors' affairs and governance
– Large exposures – chairman
– Remuneration
– Risk, capital management and compliance – chairman

Directorships – FirstRand Group
– Ashburton Investments Holdings Limited
– FirstRand Bank Limited
– FirstRand Insurance Holdings Proprietary Limited
– FirstRand Life Assurance Limited
– First National Bank*
– Rand Merchant Bank*

Directorships – external
– Aardklop Foundation – NPO
– Aardklop Nasionale Kunstefees – NPO
– Afrika Tikkun – NPO
– PLC Nominees Proprietary Limited
– Strate Proprietary Limited
– Bandurria Proprietary Limited
– Marcar Family Investments Proprietary Limited

** Divisional board*

ETHEL GOTHATAMODIMO MATENGE-SEBESHO (60)
Independent non-executive director
MBA (Brunel), CAIB (SA)
Appointed July 2010

Ethel Matenge-Sebesho has considerable experience in the banking and financial services sector at strategic and policy level and in several microfinance initiatives in southern Africa.

Ethel started her career in banking with Standard Chartered Bank Botswana Limited from 1973 to 1996, during which time she studied for an MBA from Brunel University of London. She was the first person in Botswana to obtain the Institute of Bankers' Associate Diploma (CAIB) South Africa.

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

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

FirstRand – committee memberships
– Audit
– Directors' affairs and governance

Directorships – FirstRand Group
– Ashburton Investments Holdings Limited
– FirstRand Bank Limited
– First National Bank*

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

** Divisional board*

AMANDA TANDIWE (TANDI) NZIMANDE (45)
Non-executive director
BCom, CTA (UCT), CA(SA), HDip Co Law (Wits)
Appointed February 2008

Tandi Nzimande is the CFO of both WDB Trust and WDB Investment Holdings (WDBIH). In addition to ensuring that adequate financial systems and controls are in place at WDBIH and WDB Trust, her role includes executing transactions and the monitoring of ongoing investment relationships, participating in the management of WDBIH's portfolio of investments, as well as formulating strategic objectives for WDB.

She qualified in 1996 as a chartered accountant while with KPMG. She was a senior associate in the investment banking division of Deutsche Bank where she spent five years gaining experience in mergers and acquisitions internationally and in South Africa.

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

Directorships – FirstRand Group
– FirstRand Bank Limited

Directorships – external
– Kyb Early Childhood Development Enterprise Incubator Proprietary Limited
– Maemo Motors Proprietary Limited
– Masana Petroleum Solutions Proprietary Limited
– WDBIH ED Fund Proprietary Limited
– WDB Investment Holdings Proprietary Limited
– WDB Discovery Investments (RF) Proprietary Limited
– WDB Inyosi Investments Proprietary Limited
– Hollard Foundation Trust – trustee

DEEPAK PREMNARAYEN (69)
Independent non-executive director
BA Economics (Hons) India
Appointed January 2009

Deepak Premnarayen founded the ICS Group in 1998 to pursue emerging infrastructure development opportunities in India. He continues to serve as the executive chairman. ICS subsequently expanded into the real estate space and now has interests in:

- asset management;
- property development and management services;
- architectural design services;
- car parking;
- hospitality; and
- financial services: banking and corporate finance.

He is associated with various chambers such as:

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

FirstRand – committee memberships
– Directors' affairs and governance

Directorships – FirstRand Group
– FirstRand Bank Limited

Directorships – external
– ICS Group
– Triangle Real Estate India Fund LLC (Mauritius)
– Triangle Real Estate India Holdings Limited (Mauritius)
– Triangle Real Estate India Investments Limited (Mauritius)
– Triangle Real Estate India Projects Limited (Mauritius)
– Noida Toll Bridge Company Limited (India)

KGOTSO BUNI SCHOEMAN (51)
Non-executive director
BA Economics, Advanced Financial Management Diploma, Cambridge Advanced Leadership Programme
Appointed May 2008

Kgotso Schoeman is currently the CEO of Kagiso Capital, a new investment company Kagiso Trust established. He has been involved with the trust for over 15 years. He successfully managed the trust's transition from being dependent on international grants from donors such as the EU, Japanese government and Swedish Development Agency, to a trust that is now self-financed through its investment company. He is responsible for managing the R260 million budget of the trust.

Over the years he led the design of very strategic and important programmes for Kagiso Trust and partner organisations. He led the team responsible for the design and implementation of the current strategy of the trust, which has unlocked partnership funding agreements with the private sector and government. The two flagship programmes of the trust are the R190 million partnership agreement with the Free State Education Department and the R400 million partnership agreement between Shanduka Foundation, Kagiso Trust and the Free State Education Department.

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

Directorships – FirstRand Group
– FirstRand Bank Limited

Directorships – external
– Kagiso Activ Training Proprietary Limited
– Kagiso Capital Proprietary Limited
– Kagiso Enterprises Rural Private Equity Fund Proprietary Limited
– Kagiso Tiso Holdings Proprietary Limited
– Kagiso Trust Consultancy Proprietary Limited
– Kagiso Trust Strategic Investments (RF) Proprietary Limited

BENEDICT JAMES VAN DER ROSS (68)
Independent non-executive director
Dip Law (UCT)
Appointed May 1998

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

FirstRand – committee memberships
– Directors' affairs and governance
– Large exposures
– Remuneration
– Social and ethics
– Transformation monitoring

Directorships – FirstRand Group
– FirstRand Bank Limited
– First National Bank*
– WesBank* – chairman

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

** Divisional board*

JAN HENDRIK (HENNIE) VAN GREUNING (62)
Independent non-executive director
DCom (Economics), DCompt (Accounting Science), CA(SA), CFA
Appointed January 2009

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

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

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

FirstRand – committee memberships
– Audit – chairman
– Social and ethics – chairman
– Directors' affairs and governance
– Risk, capital management and compliance

Directorships – FirstRand Group
– FirstRand Bank Limited
– First National Bank*

Directorships – external
– Financial Diplomats Proprietary Limited
– Bank Islam Brunei Darussalam, Brunei

** Divisional board*

DIRECTORS' AFFAIRS AND GOVERNANCE COMMITTEE

WR Jardine | Chairman

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

2015 IN REVIEW

QUARTER ONE

- Reviewed outcomes of annual corporate governance effectiveness survey and recommended SARB governance submission to the board
- Reviewed performance of the social and ethics committee structures, with a focus on responsible business practices
- Conducted technical director training on cyber security and information risk

QUARTER TWO

- Approved 2015 group corporate governance objectives and plan
- Conducted technical director training on capital adequacy and disaster recovery

QUARTER THREE

- Considered executive succession planning proposals and approved process for leadership changes
- Constituted a nominations committee composed of non-executive directors and chaired by an independent non-executive director, to consider non-executive succession planning
- Conducted technical director training on Basel III and new regulatory developments

QUARTER FOUR

- Considered nominations committee recommendations
- Considered the outcomes of individual director performance assessments, including a special review of directors serving for nine years or more
- Conducted technical director training on model risk, group internal audit processes and group insurance programmes

AT EVERY MEETING

- Considered reports from the social and ethics committee, with specific focus on responsible business conduct

Directors' interests

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

ORDINARY SHARES (AUDITED)

	Direct beneficial (thousands)	Indirect beneficial (thousands)	Indirect via RMBH (thousands)	Total 2015 (thousands)	Percentage holding %	Total 2014 (thousands)
Executive directors and prescribed officers:						
SE Nxasana	6 169	464	–	**6 633**	0.12	6 169
JP Burger	504	5 913	1 670	**8 087**	0.14	8 154
HS Kellan	730	573	–	**1 303**	0.02	768
AP Pullinger	3 960	35	–	**3 995**	0.07	3 640
J Celliers	–	162	–	**162**	–	154
C de Kock	300	–	–	**300**	–	300
Non-executive directors:						
VW Bartlett	3 193	–	–	**3 193**	0.06	3 193
JJH Bester (retired December 2014)	–	–	–	**–**	–	20
P Cooper	1 731	891	5 127	**7 749**	0.14	7 749
LL Dippenaar	1 377	1 728	101 942	**105 047**	1.87	105 047
GG Gelink	102	–	–	**102**	–	30
PM Goss	1	–	16 225	**16 226**	0.29	16 226
PK Harris	–	314	12 180	**12 494**	0.22	16 540
NN Gwagwa	355	–	–	**355**	–	–
EG Matenge-Sebesho	–	77	–	**77**	–	–
BJ van der Ross	463	–	–	**463**	0.01	–
RM Loubser	–	–	1 868	**1 868**	0.03	–
WR Jardine	–	463	11	**474**	0.01	–
Total	18 885	10 620	139 023	**168 528**	2.98	167 991

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

B PREFERENCE SHARES (AUDITED)

	Indirect beneficial (thousands)	Total 2015 (thousands)	Percentage holding %	Total 2014 (thousands)
Non-executive directors:				
VW Bartlett	–	**–**	–	16
LL Dippenaar	250	**250**	0.60	570
Total	**250**	**250**	**0.60**	**586**

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

REGULATORY REQUIREMENTS

The King III code adopts an apply or explain principle whereby a reasonable explanation for non-application of certain principles results in compliance. FirstRand has two areas where it adopts this principle for the year under review.

King III Chapter 2 – boards and directors

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

FirstRand's chairman, Laurie Dippenaar, is non-executive but not independent in terms of the definition of independence adopted by the JSE. He is a major shareholder in RMB Holdings Limited, which owns 33.9% of the issued share capital of FirstRand. The board believes that his specialist knowledge of the financial services industry and of the FirstRand group makes it appropriate for him to hold this position. In line with the JSE Listings Requirements and the King III code, a lead independent non-executive director was formally appointed.

King III Chapter 3 – audit committees

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

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

FirstRand's audit committee is composed of six non-executive directors, five of whom are independent. One of the members, Leon Crouse, is not independent in terms of the JSE definition. The committee is, therefore, not composed exclusively of independent directors as recommended by King III. The board is of the opinion that his specialist skills, experience, knowledge of the group and the value that these bring to audit committee deliberations warrant his ongoing membership.

PROCEEDINGS AND PERFORMANCE REVIEW

The directors' affairs and governance committee (DAG) comprises all FirstRand's non-executive directors and is chaired by Roger Jardine, an independent non-executive director.

There is a clear policy in place detailing procedures for appointments to the board. Such appointments are formal and a matter for the board as a whole, assisted by the committee. Prior to the appointment of a new director, a nominations committee is appointed by DAG. This committee is responsible for interviewing the nominees for the role and making recommendations to DAG as to his or her suitability.

The nominations committee is constituted exclusively of non-executive directors, the majority of whom are independent, and is chaired by the chairman of DAG, who is also an independent director. When appointing directors the board takes cognisance of its needs in terms of different skills, experience, cultural diversity, size and demographics. During the year the nominations committee met three times.

The retirement age for non-executive directors is 70 and may be extended after an annual review process, if unanimous agreement is reached by the board that the skills and experience of a director warrant retention. Each year, one third of FirstRand's non-executive directors retire. There is no limit to the number of times that a director may be re-elected to the board. Non-executive directors are expected to ensure that appointments to boards outside of the group do not impinge on their ability to perform their duties as directors of FirstRand and do not present any material conflicts of interest. The appointment of all directors to the board requires the approval of shareholders at the annual general meeting. Reappointment to the committees is not automatic and is subject to the approval of the committee. When FirstRand directors retire by rotation they automatically retire from the committees on which they serve.

The directors are accountable and responsible for all the actions of board committees. This is emphasised during the induction training provided to new directors. Other ongoing training and education courses allow them to familiarise themselves with FirstRand's operations, the business environment, their fiduciary duties and responsibilities and the board's expectations in respect of their commitment and ethical behaviour.

In terms of South African banking regulations, all directors of a bank or a bank-controlling company must be approved by the South African Reserve Bank. During the year DAG oversaw the necessary actions for ensuring compliance with this requirement.

The committee met four times during the year. Attendance was as follows.

	Sep 2014	Nov 2014	Feb 2015	May 2015
VW Bartlett	✓	✓	✓	✓
JJH Bester (retired December 2014)	✓	✓	–	–
MS Bomela	✓	✓	✓	✓
P Cooper	✓	✓	✓	✓
L Crouse	✓	✓	✓	✓
LL Dippenaar	✓	✓	✓	✓
JJ Durand	✓	✓	✓	✓
PM Goss	✓	✓	✓	✓
GG Gelink	✓	✓	✓	✓
NN Gwagwa	✓	✓	✓	A
PK Harris	✓	✓	✓	✓
WR Jardine – chairman	✓	✓	✓	✓
RM Loubser (appointed September 2014)	–	✓	✓	✓
EG Matenge-Sebesho	✓	✓	✓	✓
AT Nzimande	✓	✓	✓	✓
D Premnarayen	✓	A	✓	✓
KB Schoeman	✓	✓	✓	A
BJ van der Ross	✓	A	✓	✓
JH van Greuning	✓	✓	✓	✓

A – apologies tendered and accepted.

The committee chairman attends the annual general meeting.

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

Company secretary

FirstRand's company secretary assists the board as a whole and directors individually with detailed guidance as to how their responsibilities should be properly discharged in the best interests of the FirstRand group and its stakeholders. Where necessary, the company secretary facilitates induction and training for directors and assists the CEO in determining the annual meeting timetable. Ms Carnita Low (BA LLB, LLM – tax, MBA) was appointed as FirstRand Limited's company secretary in January 2014. She is not a director of FirstRand and is also the secretary to the board committees and subsidiary boards.

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

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

WR Jardine
Chairman, directors' affairs and governance committee

9 September 2015

REMUNERATION COMMITTEE

Pat Goss | Chairman

The relationship between bank compensation and bank performance is a topical issue. While the pay of top bankers often receives attention, it is the pay practices for all bank staff that really informs a bank's long-term success.

Remco's fundamental responsibility is to ensure alignment between sustainable value creation and the compensation of FirstRand's employees. The committee's focus is, therefore, to ensure proper calibration of the group's strategic objectives and compensation governance frameworks for all employees who deliver on these objectives.

The purpose of this report is to provide stakeholders with a clear understanding of the committee's activities during the year, and how these achieve alignment between the group's strategy and delivery on that strategy within the desired risk/return profile.

2015 IN REVIEW

QUARTER ONE

- Reviewed 2014 remuneration cycle variable pay pools, individual allocations and deferral structures
- Approved compensation packages based on group and individual performance in respect of the 2014 remuneration cycle

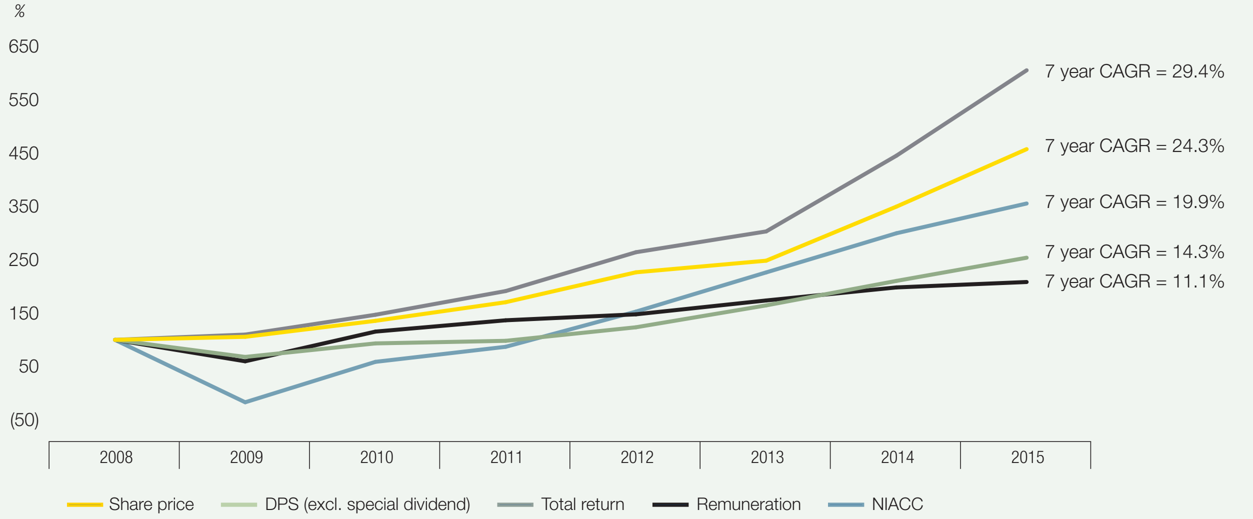
QUARTER TWO

- Reviewed remuneration governance processes, including for risk and control staff
- Considered reports on developments in compensation best practices

QUARTER THREE

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

EXECUTIVE REMUNERATION DELIVERS SUPERIOR VALUE CREATION



REMUNERATION ALIGNED TO PERFORMANCE MANAGEMENT FRAMEWORK

FirstRand's performance management framework ensures remuneration is fully aligned to the group's strategic objectives; namely:

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

The performance management framework requires that management produce positive net income after cost of capital (NIACC). In addition group targets are set within the group's overall risk appetite.

Another way of looking at NIACC is the amount of earnings left after shareholders and other capital providers are paid for their investment at the prescribed level. Management only start to share thereafter.

Remco believes that the amount and mix of compensation applied during the year is commensurate with FirstRand's core purpose.

Guaranteed pay

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

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

Annual salary increases are determined using a bottom-up approach where business units propose overall salary increases based on individual employee performance and union negotiations. These proposals are moderated based on financial performance, risk and regulatory considerations first by franchise remuneration committees and second by the group remuneration committee, which approves the overall salary increases.

Performance-related

Performance awards recognise individual performance and overall contribution to business-unit performance. Measures include:

- ROE;
- earnings growth and NIACC;
- performance within overall group risk appetite;
- quality of earnings; and
- recognition for the establishment of a business, or turning an established business around, as apposed to benefiting from existing franchise value.

Individual performance is assessed at least once a year based on objectives of each individual role. Where appropriate, qualitative feedback is also provided by 360 degree performance appraisals by an individual's peers – including senior and junior peers.

The size of the variable compensation pool and its allocation within the group takes current and potential future risks into account. These include:

- the cost and quantum of capital required to support risks taken;
- liquidity risk assumed in the conducting of business; and
- consideration of the timing and certainty of the realisation of accrued, but as yet unrealised, accounting profits included in current earnings.

Performance management aims to empower rather than discipline and control. Examples of soft measures include teamwork, client-focus, innovation, progress implementing key control projects and delivery on socioeconomic development objectives. Hard measures include, NIACC, ROE, audit findings and operational losses.

Long-term incentives

These are aimed at retaining key management resources as well as aligning their interests with those of shareholders and other stakeholders.

In order to link compensation to the time horizon of risk assumed by the group, the vesting of long-term incentives is subject to corporate performance targets (CPTs) measured on a cumulative basis over a three-year period. If performance conditions are not satisfied allocations are forfeited.

CPTs for the group's long-term incentive schemes are clearly defined in the schedule in note 31 of the consolidated annual financial statements. These criteria are set by the committee for each annual award and are not adjusted retrospectively.

In instances where CPTs are not met the committee has the discretion to determine partial vesting.

Remco is of the view that long-term initiatives encourage behaviour that is consistent with effective risk management and clawback arrangements, therefore, do not exist post vesting. The group's current long-term incentives use share-linked instruments and, therefore, do not require the allocation of shares.

The committee has the discretion to determine the total amount of long-term incentive awards made to any employee. At 30 June 2015, no employee's participation in the group's long-term incentive schemes exceeded 2% of the total number of shares awarded in terms of the schemes to ensure that the schemes do not incentivise inappropriately risky behaviour.

2015 CPTs (matures in 2018)

FirstRand must achieve growth in normalised EPS which equals or exceeds South African nominal GDP plus 1% growth on a cumulative basis over a three-year period, from base year end 30 June 2015 to the financial year end immediately preceding the vesting date. In addition, ROE must be equal to or greater than COE +5% over the three-year performance period.

If real GDP growth is in the 1% to 1.5% range, as is expected by many economists, then the group's cumulative performance target is approximately double real GDP growth given the three-year measurement period.

These CPTs apply to the allocation made during September 2015 (which will be disclosed in the FY2016 annual integrated report).

FORWARD-LOOKING MEASURES

The chairman of FirstRand's risk, capital management and compliance committee has provided formal confirmation that the risk element of the compensation policy has been considered and does not encourage inappropriate risky behaviour.

INTERNAL PAY DIFFERENTIALS

In his chairman's statement, Laurie Dippenaar highlights that an economy's best defence against income inequality is to promote job creation and economic growth through profitable enterprise. Within this context the committee has overseen deliberate measures to ensure that compensation is appropriately aligned with economic productivity for all of the group's employees.

Benchmarking of guaranteed pay relative to the requirements of different levels of work has been conducted across the group in consultation with employee representatives. Specific projects have been undertaken to enable outcomes-based compensation (OBC) for parts of the business requiring large volumes of clerical or procedural levels of work.

Over 13 000 employees participate in the group's 16 OBC schemes.

Complementary human capital development projects exist to enable the growth of employees who demonstrate potential for increasing their value-add.

Compensation principles applied for all levels of work include:

- guaranteed pay commensurate with the volume of work, the level or responsibility and individual value-add within the role; and
- OBC-based on performance measured after adjusting for the level of risk assumed and the cost of capital incurred.

DEFERRAL OF VARIABLE PAY

For senior executives and all other employees whose actions have a material impact on the risk exposure of the group, a substantial portion of compensation is deferred. Remco is of the view that these measures will ensure the proper alignment of compensation for all employees with the sustainability of the business.

2015 DEFERRAL STRUCTURE

<table>
<tr><th rowspan="2">Performance payment</th><th rowspan="2">Deferred conditional awards</th><th colspan="4">Payment date</th></tr>
<tr><th>Aug 2015</th><th>Dec 2015</th><th>Jun 2016</th><th>Sep 2017</th></tr>
<tr><td>≤ R500k</td><td rowspan="2">No</td><td>100%</td><td>–</td><td>–</td><td>–</td></tr>
<tr><td>> 500k to ≤ R1.5 million</td><td rowspan="4">R500k + 33% of balance of cash portion</td><td rowspan="4">33% of balance of cash portion</td><td rowspan="4">33% of balance of cash portion</td><td>–</td></tr>
<tr><td>> R1.5 million to < R5 million</td><td>30% – 50% of amount above R1.5 million</td><td rowspan="3">Qualifying awards vest</td></tr>
<tr><td>> R1.5 million (all employees earning variable compensation above R5 million)</td><td>40% of amount above R1.5 million</td></tr>
<tr><td>> R15 million (FirstRand and franchise Exco members only)</td><td>50% of amount above R1.5 million</td></tr>
</table>

Performance criteria for deferred portions of variable pay include:

- the continued profitability of the relevant business unit, franchise and group;
- that individual performance has been maintained; and
- that the group has not received notice of, or termination of service for any reason whatsoever, either by the employee or the group, before the due date of any of the variable pay.

MATERIAL RISK TAKERS

Material risk takers are defined with reference to their influence over the activities of the group or a part thereof and the relationship between this and risk assumed in the course of conducting business. Remco defines material risk takers and control staff as the group's executive officers as defined in the South African Banks Act and the group heads of risk and control functions.

In terms of the Companies Act 71 of 2008, prescribed officers are defined as employees who exercise general executive control over and management of the whole, or a significant portion of the business activities of the group. FirstRand defines its prescribed officers as the CEO, deputy CEO, financial director and the CEOs of the group's operating franchises (FNB, RMB and WesBank).

MANAGEMENT OF RISK

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

NON-EXECUTIVE DIRECTORS

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

Following a comprehensive industry benchmarking exercise, the committee oversaw refinements to non-executive directors fees based on the following core principles:

- industry-related annual retainers for the FirstRand board and committees;
- a ratio of two hours of preparation for every one hour of meeting;
- two x fees for committee chairmen;
- USD retainers for foreign domiciled directors based on approximately 2.75 times the standard rates; and
- a special *ad hoc* rate for highly specialised additional work at the request of the board.

REMCO PROCEEDINGS

FirstRand's remuneration committee is chaired by an independent non-executive director and is composed of non-executive directors, the majority of whom are independent. Executives attending committee meetings do so in an *ex officio* capacity.

ATTENDANCE DURING THE YEAR

	July 2014	April 2015	May 2015
VW Bartlett	✓	✓	✓
JJH Bester (retired December 2014)	✓	–	–
LL Dippenaar	✓	✓	✓
JJ Durand	✓	✓	✓
PM Goss (chairman)	✓	✓	✓
RM Loubser (appointed December 2014)	–	✓	✓
AT Nzimande	✓	✓	✓
BJ van der Ross	✓	A	✓

A – apologies tendered and accepted.

The chairman of the committee attends the annual general meeting.

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

PM Goss
Chairman, remuneration committee

9 September 2015

DIRECTORS' AND PRESCRIBED OFFICERS' EMOLUMENTS

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

DIRECTORS' EMOLUMENTS (AUDITED)

	2015			2014		
	Services as directors			Services as directors		
R thousand	FSR	Group	Total	FSR	Group	Total
Non-executive directors						
LL Dippenaar (chairman)	**4 463**	**237**	**4 700**	3 833	158	3 991
VW Bartlett[1]	**952**	**185**	**1 137**	855	254	1 109
JJH Bester[1] (retired December 2014)	**638**	**1 269**	**1 907**	1 504	2 235	3 739
MS Bomela	**798**	**232**	**1 030**	754	79	833
P Cooper (alternate to PK Harris)	**291**	**195**	**486**	293	30	323
L Crouse	**972**	**97**	**1 069**	911	74	985
JJ Durand	**621**	**93**	**714**	581	50	631
GG Gelink[1]	**972**	**325**	**1 297**	915	117	1 032
PM Goss[1]	**810**	**269**	**1 079**	742	199	941
NN Gwagwa[1]	**623**	**220**	**843**	582	91	673
PK Harris	**486**	**48**	**534**	455	50	505
WR Jardine[1]	**637**	**111**	**748**	553	61	614
RM Loubser[1] (appointed September 2014)	**1 151**	**876**	**2 027**	–	–	–
EG Mantenge-Sebesho[1]	**740**	**495**	**1 235**	679	353	1 032
AT Nzimande	**690**	**195**	**885**	645	91	736
D Premnarayen[1,2]	**972**	**161**	**1 133**	910	122	1 032
KB Schoeman	**555**	**78**	**633**	535	61	596
BJ van der Ross[1]	**774**	**726**	**1 500**	669	755	1 424
JH van Greuning[1,3]	**2 695**	**2 800**	**5 495**	1 251	3 965	5 216
Total non-executive directors	**19 840**	**8 612**	**28 452**	16 667	8 745	25 412

1. *Independent non-executive director.*
2. *Foreign-domiciled director paid in USD. 2015: $97 720 (2014: $99 416).*
3. *Foreign-domiciled director paid in USD. 2015: $495 519 (2014: $502 476).*

PRESCRIBED OFFICERS' EMOLUMENTS (AUDITED)

R thousand	2009	2010	2011	2012	2013	2014	2015
SE Nxasana[1]							
Cash package paid during the year	4 427	5 101	6 220	6 614	7 037	7 522	**8 056**
Retirement contributions paid during the year	617	617	616	786	834	891	**955**
Other allowances[2]	–	93	97	81	68	75	**82**
Subtotal: guaranteed package	5 044	5 811	6 933	7 481	7 939	8 488	**9 093**
Performance related in respect of the year[3]	4 860	5 820	8 190	9 600	11 460	10 000	**12 915**
Portion of performance related deferred in share awards[4]	–	5 180	4 460	5 400	6 640	11 000	**11 415**
Subtotal: variable pay	4 860	11 000	12 650	15 000	18 100	21 000	**24 330**
Total guaranteed and variable pay	9 904	16 811	19 583	22 481	26 039	29 488	**33 423**
JP Burger[1]							
Cash package paid during the year	4 258	4 699	5 503	5 776	6 103	6 591	**7 040**
Retirement contributions paid during the year	692	698	679	866	915	981	**1 056**
Other allowances[2]	–	62	74	118	156	98	**119**
Subtotal: guaranteed package	4 950	5 459	6 256	6 760	7 174	7 670	**8 215**
Performance related in respect of the year[3]	4 590	5 520	7 470	8 760	10 440	9 000	**11 770**
Portion of performance related deferred in share awards[4]	–	4 480	3 980	4 840	5 960	10 000	**10 270**
Subtotal: variable pay	4 590	10 000	11 450	13 600	16 400	19 000	**22 040**
Total guaranteed and variable pay	9 540	15 459	17 706	20 360	23 574	26 670	**30 255**
AP Pullinger							
Cash package paid during the year	1 286	1 571	1 743	1 981	2 037	2 174	**2 322**
Retirement contributions paid during the year	333	298	330	339	407	556	**464**
Other allowances[2]	–	100	110	99	122	13	**133**
Subtotal: guaranteed package	1 619	1 969	2 183	2 419	2 566	2 743	**2 919**
Performance related in respect of the year[3]	1 050	11 280	13 416	11 400	13 200	15 000	**11 750**
Portion of performance related deferred in share awards[4]	–	6 520	7 944	6 600	7 800	9 000	**10 250**
Subtotal: variable pay	1 050	17 800	21 360	18 000	21 000	24 000	**22 000**
Total guaranteed and variable pay	2 669	19 769	23 543	20 419	23 566	26 743	**24 919**

All executive directors and prescribed officers have a notice period of one month. Non-executive directors are appointed for a period of three years and are subject to the Companies Act 71 of 2008 provisions relating to removal. Benefits derived by executive directors in terms of their long-term incentive schemes are disclosed on pages 98 to 101.

Cash package, retirement contributions and other allowances reflect what was paid to the prescribed officers during the year ended 30 June 2015 although the FirstRand remuneration cycle runs from 1 August to 31 July.

The cash variable pay and variable pay deferred in CIP awards for 2015 reflect the amounts that were allocated to the prescribed officer in respect of the year ended 30 June 2015, however, the cash portion will be paid in future periods in terms of the group's deferral structure shown on page 90.

1. *These prescribed officers in terms of the Companies Act 71 of 2008 are also executive directors. FirstRand defines its prescribed officers as members of group strategic executive committee: group CEO, group deputy CEO, financial director and the CEOs of the group's operating franchises (FNB, RMB and WesBank).*
2. *Other allowances includes travel and medical.*
3. *Variable compensation paid in cash in respect of the year ended June, is paid (with an interest factor) in three tranches, during the following year ending 30 June.*
4. *Performance payments deferred as a conditional award in terms of the FirstRand conditional incentive plan vest two years after the award date. Refer to note 31 in the annual financial statements.*

PRESCRIBED OFFICERS' EMOLUMENTS (AUDITED) continued

R thousand	2015	2014
Prescribed officers (effective 1 October 2013)		
HS Kellan[1,5]		
Cash package paid during the year	**4 493**	4 046
Retirement contributions paid during the year	**402**	362
Other allowances[2]	**108**	98
Subtotal: guaranteed package	**5 003**	4 506
Performance related in respect of the year[3]	**4 500**	4 416
Portion of performance related deferred in share awards[4]	**3 000**	1 944
Subtotal: variable pay	**7 500**	6 360
Total guaranteed and variable pay	**12 503**	10 866
J Celliers[5]		
Cash package paid during the year	**5 513**	4 901
Retirement contributions paid during the year	**551**	490
Other allowances[2]	**108**	122
Subtotal: guaranteed package	**6 172**	5 513
Performance related in respect of the year[3]	**5 950**	5 400
Portion of performance related deferred in share awards[4]	**4 450**	2 600
Subtotal: variable pay	**10 400**	8 000
Total guaranteed and variable pay	**16 572**	13 513
C de Kock[5]		
Cash package paid during the year	**3 098**	2 778
Retirement contributions paid during the year	**291**	266
Other allowances[2]	**69**	71
Subtotal: guaranteed package	**3 458**	3 115
Performance related in respect of the year[3]	**4 250**	4 200
Portion of performance related deferred in share awards[4]	**2 750**	1 800
Subtotal: variable pay	**7 000**	6 000
Total guaranteed and variable pay	**10 458**	9 115

All executive directors and prescribed officers have a notice period of one month. Non-executive directors are appointed for a period of three years and are subject to the Companies Act 71 of 2008 provisions relating to removal. Benefits derived by executive directors in terms of their long-term incentive schemes are disclosed on pages 98 to 101.

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1. *These prescribed officers in terms of the Companies Act 71 of 2008 are also executive directors. FirstRand defines its prescribed officers as members of the group strategic executive committee: group CEO, group deputy CEO, financial director and the CEOs of the group's operating franchises (FNB, RMB and WesBank).*
2. *Other allowances includes travel and medical.*
3. *Variable compensation paid in cash in respect of the year ended June, is paid (with an interest factor) in three tranches, during the following year ending 30 June.*
4. *Performance payments deferred as a conditional award in terms of the FirstRand conditional incentive plan vest two years after the award date. Refer to note 31 in the annual financial statements.*
5. *Prescribed officer appointed 1 October 2013. Emoluments include earnings in prior role from 1 July 2013 to 30 September 2013.*

Co-investment scheme

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

R thousand	2015	2014
JP Burger	**5 387**	6 222
SE Nxasana	**1 064**	1 376
A Pullinger	**6 384**	8 255

AGGREGATE COMPENSATION DISCLOSURES

	2015
Employees receiving variable awards (number of employees)	
Employees receiving variable compensation	**22 745**
Employees receiving union agreed variable compensation[1]	**19 529**
Total variable awards	**42 274**
Employees receiving sign-on and severance (number of employees)	
Sign-on awards granted	**109**
Severance awards	**154**
Total sign on and severance awards	**263**
Sign on and severance (R million)	
Value of sign-on awards granted	**22**
Value of severance awards	**75**
Total value of sign-on and severance awards	**97**
Portion of 2015 compensation not deferred (R million)	
Guaranteed compensation	**13 735**
Union agreed variable compensation[1]	**282**
Variable compensation[2]	**3 472**
Vested share-based long term incentives (LTIs) exercised and paid[3]	**1 936**
Total value of not deferred compensation	**19 425**
Portion of 2015 compensation deferred (R million)	
2nd and 3rd cash tranches of variable compensation[5]	**805**
Portion of 2015 variable compensation deferred in shares[5]	**356**
Total value of deferred compensation	**1 161**
Cumulative outstanding deferred compensation at 30 June 2015[4,7] (R million)	
2015 share-based LTI award	**1 224**
2nd and 3rd cash tranches of variable compensation	**805**
Portion of variable compensation deferred (cumulative 2013 and 2014)	**502**
Share-based LTI awards	**–**
Share-linked LTI awards (cumulative 2012, 2013 and 2014)	**2 703**
Total cumulative outstanding deferred compensation	**5 234**
Total deferred compensation clawed back (R million)	**–**

1. *Guaranteed bonuses paid to non-managerial employees in the form of 13th cheques in terms of the group's annual union negotiations.*
2. *Includes tranche 1 of cash-settled variable compensation.*
3. *LTIs are share-based incentives that only become exercisable to clearly defined vesting criteria. Refer to page 89 for detailed disclosure of the group's vesting criteria.*
4. *All deferred compensation is subject to clearly defined performance criteria to ensure alignment of employee remuneration with company performance. Refer to page 90 for a detailed description of the group's deferral policy.*
5. *Portion of cash bonus deferred to 2nd and 3rd tranche payments in December and June respectively of the proceeding financial year.*
6. *Cash portion of variable compensation deferred in FirstRand shares and subject to vesting criteria.*
7. *The values disclosed for LTIs have been determined on pro rata vesting basis assuming that the conditions precedent have been met. These incentives are however still subject to individual, business unit and corporate performance criteria before becoming exercisable as set out in the vesting criteria on page 89.*

PRESCRIBED OFFICERS' OUTSTANDING LONG-TERM INCENTIVES (AUDITED)

	FY2005		FY2012 (CSP allocation made in September 2011)	FY2013 (CIP allocation made in September 2012)	
	FirstRand black non-executive directors scheme	**FirstRand black employee scheme**	**CSP**	**Bonus deferral CIP**	**CIP**
SE Nxasana					
Opening balance (number of shares)	1 000 000	1 000 000	576 567	194 325	432 604
Strike price (cents)	12.28	14.91	–	–	–
Vesting date	31/12/2014	31/12/2014	13/09/2014	11/09/2014	11/09/2015
Granted/taken up this year (number of shares)	(1 000 000)	(1 000 000)	(576 567)	(194 325)	–
Closing balance (number of shares)	–	–	–	–	432 604
Benefit derived during FY2015 (rand)	39 415 004	35 629 735	25 357 417	9 661 191	–
JP Burger					
Opening balance (number of shares)	–	–	461 870	174 173	346 545
Strike price (cents)	–	–	–	–	–
Vesting date	–	–	13/09/2014	11/09/2014	11/09/2015
Granted/taken up this year (number of shares)	–	–	(461 870)	(174 173)	–
Closing balance (number of shares)	–	–	–	–	346 545
Benefit derived during FY2015 (rand)	–	–	20 313 043	8 659 301	–
AP Pullinger					
Opening balance (number of shares)	–	–	359 232	237 508	269 895
Strike price (cents)	–	–	–	–	–
Vesting date	–	–	13/09/2014	11/09/2014	11/09/2015
Granted/taken up this year (number of shares)	–	–	(359 232)	(237 508)	–
Closing balance (number of shares)	–	–	–	–	269 895
Benefit derived during FY2015 (rand)	–	–	15 799 023	11 808 106	–

Definitions:

APR – share appreciation rights
CIP – conditional incentive plan
CSP – conditional share plan

FY2014 (CIP allocation made in September 2013)			FY2015 (CIP allocation made in September 2014)		
Bonus deferral CIP	**CIP**	**CIP**	**Bonus deferral CIP**	**Special three-year bonus deferral CIP**	**CIP**
214 916	435 820	–	**–**	**–**	**–**
–	–	–	**–**	**–**	**–**
10/09/2015	15/09/2016	–	**13/09/2016**	**12/09/2017**	**12/09/2017**
–	–	–	**243 051**	**15 909**	**324 363**
214 916	435 820	–	**243 051**	**15 909**	**324 363**
–	–	–	**–**	**–**	**–**
192 907	349 563	87 895	**–**	**–**	**–**
–	–	–	**–**	**–**	**–**
10/09/2015	15/09/2016	01/10/2016	**13/09/2016**	**12/09/2017**	**12/09/2017**
–	–	–	**220 956**	**15 025**	**260 728**
192 907	349 563	87 895	**220 956**	**15 025**	**260 728**
–	–	–	**–**	**–**	**–**
252 462	242 752	–	**–**	**–**	**–**
–	–	–	**–**	**–**	**–**
10/09/2015	15/09/2016	–	**13/09/2016**	**–**	**12/09/2017**
–	–	–	**198 860**	**–**	**204 384**
252 462	242 752	–	**198 860**	**–**	**204 384**
–	–	–	**–**	**–**	**–**

PRESCRIBED OFFICERS' OUTSTANDING LONG TERM INCENTIVES (AUDITED) continued

	FY2005		FY2012 (CSP allocation made in September 2011)
	FirstRand black non-executive directors scheme	**FirstRand black employee share scheme**	**CSP**
Prescribed officers (effective 1 October 2013)			
HS Kellan[1]			
Opening balance (number of shares)	–	1 197 500	174 484
Strike price (cents)	–	17.71	–
Vesting date	–	31/12/2014	13/09/2014
Granted/taken up this year (number of shares)	–	(1 197 500)	(174 484)
Closing balance (number of shares)	–	–	–
Benefit derived during FY2015 (rand)	–	38 980 992	7 673 806
J Celliers[1]			
Opening balance (number of shares)	–	–	82 111
Strike price (cents)	–	–	–
Vesting date	–	–	13/09/2014
Granted/taken up this year (number of shares)	–	–	(82 111)
Closing balance (number of shares)	–	–	–
Benefit derived during FY2015 (rand)	–	–	3 611 242
C De Kock[1]			
Opening balance (number of shares)	–	–	184 748
Strike price (cents)	–	–	–
Vesting date	–	–	13/09/2014
Granted/taken up this year (number of shares)	–	–	(184 748)
Closing balance (number of shares)	–	–	–
Benefit derived during FY2015 (rand)	–	–	8 125 217

1. Prescribed officer appointed 1 October 2013.

Definitions:

APR – share appreciation rights
CIP – conditional incentive plan
CSP – conditional share plan

FY2013 (CIP allocation made in September 2012)		FY2014 (CIP allocation made in September 2013)			FY2015 (CIP allocation made in September 2014)	
Bonus deferral CIP	**CIP**	**Bonus deferral CIP**	**CIP**	**CIP**	**Bonus deferral CSP**	**CIP**
26 000	136 747	49 198	67 700	161 835	**–**	**–**
–	–	–	–	–	**–**	**–**
11/09/2014	11/09/2015	10/09/2015	01/06/2016	15/09/2016	**13/09/2016**	**12/09/2017**
(26 000)	–	–	–	–	**42 954**	**121 526**
–	136 747	49 198	67 700	161 835	**42 954**	**121 526**
1 292 633	–	–	–	–	**–**	**–**
28 789	143 944	45 314	135 400	226 569	**–**	**–**
–	–	–	–	–	**–**	**–**
11/09/2014	11/09/2015	10/09/2015	01/06/2016	15/09/2016	**13/09/2016**	**12/09/2017**
(28 789)	–	–	–	–	**57 449**	**181 184**
–	143 944	45 314	135 400	226 569	**57 449**	**181 184**
1 431 293	–	–	–	–	**–**	**–**
37 786	134 948	40 135	–	145 651	**–**	**–**
–	–	–	–	–	**–**	**–**
11/09/2014	11/09/2015	10/09/2015	–	15/09/2016	**13/09/2016**	**12/09/2017**
(37 786)	–	–	–	–	**39 772**	**154 669**
–	134 948	40 135	–	145 651	**39 772**	**154 669**
1 878 594	–	–	–	–	**–**	**–**

AUDIT COMMITTEE

Hennie van Greuning | Chairman

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

2015 IN REVIEW

QUARTER ONE

- Evaluated the performance and effectiveness of the external auditors
- Satisfied itself with respect to the expertise and experience of the financial director and the finance function
- Assessed the performance of the chief audit executive and the internal audit function
- Reviewed the management representation letter for the year ended 30 June
- Reviewed a documented assessment, including key assumptions of the going concern assertion
- Reviewed and approved the annual integrated report for recommendation to the board
- Reviewed and approved shareholder documents and interim/annual financial statements
- Reviewed the report on the internal control and going concern aspect of FirstRand, in terms of regulation 40(4) of Banks Act regulations
- Reviewed the annual corporate governance assessments in terms of regulation 39(18) of the Banks Act regulations

QUARTER TWO

- Considered the audit results of the Banks Act regulatory returns
- Discussed the response to the SARB trilateral meeting

QUARTER THREE

- Reviewed the external audit engagement letter, audit plan and budgeted audit fees for the 2015 financial year
- Determined the nature and extent of all non-audit services provided by the independent auditors and approved non-audit services undertaken
- Reviewed and approved shareholder documents and interim/annual financial statements

QUARTER FOUR

- Considered industry trends updates from the external auditors
- Approved the internal audit plan for the coming year
- Conducted special technical accounting updates and training

AT EVERY MEETING

Received the following quarterly reports:

- internal audit
- combined assurance
- financial trends
- updates from the risk, capital and compliance committee
- franchise audit committee chairmen's reports

Auditor independence

The committee has satisfied itself that the external auditors were independent of the group, as set out in section 94(8) of the Companies Act. This included consideration of:

- representations made by the external auditors to the committee;
- independence criteria specified by the Independent Regulatory Board for Auditors and international regulatory bodies as well as criteria relating to internal governance processes within the audit firms;
- previous appointments of the auditors;
- extent of other work undertaken by the auditors for the group; and
- tenure of the auditors and the rotation of the lead partners.

Based on the evaluations conducted, the committee nominated PricewaterhouseCoopers and Deloitte & Touche as the independent auditors at the annual general meeting, and ensured that the appointments complied with all legal and regulatory requirements.

Relationship with other governance committees

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

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

OUTLOOK

Stakeholders are referred to the risk and capital management report for a detailed review of the group's information risk governance processes.

The audit committee recognises that there are many initiatives underway in the group in response to regulatory requirements and that these represent significant demands on the bank's resources and infrastructure. The audit committee's role is to oversee the effective functioning of the group control environment.

The audit committee is aware of the forthcoming revisions to International Financial Reporting Standards (IFRS), in particular *IFRS 9 Financial Instruments*. The new standard includes revised guidance on the classification and measurement of financial assets and includes a new expected credit loss model for calculating impairment. The committee will continue to liaise with management to understand the implications for the group processes, including any IT system or data configuration requirements, as well as to ensure the group's readiness for its implementation.

COMMITTEE EFFECTIVENESS

The audit committee confirms that it was able to carry out its work to fulfil its statutory mandate under normal and unrestricted conditions. The audit committee is satisfied that the assurance obtained during the meetings, corroborated by the review of the documentation deemed necessary and its own analyses sustain its conclusions reached for the 2015 year.

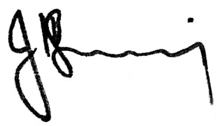
PROCEEDINGS AND PERFORMANCE REVIEW

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

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

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

	Appointed	Sep 2014	Nov 2014	Dec 2014 (Trilateral)	Feb 2015	May 2015
VW Bartlett	Feb 2009	✓	✓	✓	✓	✓
JJH Bester	Retired Dec 2014	✓	✓	✓	–	–
L Crouse	July 2010	✓	✓	✓	✓	✓
GG Gelink	Jan 2013	✓	✓	✓	✓	✓
RM Loubser	Sept 2014	–	✓	✓	✓	✓
EG Matenge-Sebesho	July 2010	✓	✓	✓	✓	✓
JH van Greuning – chairman	Sept 2009	✓	✓	✓	✓	✓



JH van Greuning
Chairman, audit committee
Sandton

9 September 2015

RISK, CAPITAL MANAGEMENT AND COMPLIANCE COMMITTEE

Russell Loubser | Chairman

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

2015 IN REVIEW

QUARTER ONE

Received recommendations from the regulatory risk management committee on proposed committee structure changes for more effective governance of regulatory risk

Reviewed operational risk appetite parameters and governance methodology as recommended by the operational risk committee

QUARTER TWO

Reviewed and approved changes to board limits and risk appetite

Reviewed assumptions underlying group's ICAAP and stress testing process including a review of management plans to address additional risks arising from the risk scenarios

Reviewed membership of the RCC subcommittees to ensure that there is adequate knowledge, skills and experience for effective risk management

QUARTER THREE

Received reports from management on the impact of the weaker oil and gas commodity prices

Received feedback to the committee on the SARB bilateral meetings held, including discussions on how the group manages the liquidity coverage ratio

QUARTER FOUR

Oversaw annual group insurance renewal programme to ensure the group is adequately covered

Liaised with the audit committee to identify common themes and exchange information to enhance audit and risk management oversight practices and processes

Oversaw independent assessment of current and future risks including communication of the outcomes and concerns to management and the board for consideration in the strategic planning and risk management processes

AT EVERY MEETING

Global and local macroeconomic developments and how these are expected to impact the different portfolios in the group

Overview by the group CRO on developments in the different risks types

Presentations by franchise CROs giving detail and insight on specific risk areas

Approval of risk management models used across different risk types

Review and approval of governance frameworks, charters and mandates.

The committee ensures that:

- an effective policy and plan for risk management has been implemented to improve FirstRand's ability to effectively manage risks; and
- appropriate risk disclosures are made timeously and in sufficient detail to the group's stakeholders.

Stakeholders are referred to pages 142 to 144 for a detailed discussion on specific risk management actions undertaken during the year in response to developments in the group's evolving risk management environment.

PROCEEDINGS AND PERFORMANCE REVIEW

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

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

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

	Aug 2014	Nov 2014	Feb 2015	May 2015
RM Loubser – chairman effective Dec 2014	✓	✓	✓	✓
JJH Bester – specialist consultant effective Dec 2015	✓	✓	✓	✓
MS Bomela	✓	A	✓	A
L Crouse	✓	✓	✓	✓
GG Gelink	A	✓	✓	✓
Z Roscherr – specialist consultant	✓	✓	✓	✓
JH van Greuning	✓	✓	✓	✓

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

RM Loubser
Chairman, risk, capital management and compliance committee

9 September 2015

TRANSFORMATION MONITORING COMMITTEE

Lulu Gwagwa | Chairman

The committee's role is to ensure that the group's transformation strategy takes cognisance of the group's strategic objectives as well as the environment in which these have to be delivered. Transparency and accountability for the implementation of the group's BEE strategy rests with executive management and the committee receives regular and detailed reports on progress from the executive teams.

2015 IN REVIEW

QUARTER ONE

- Oversaw alignment of group's succession plan with the Department of Labour (DoL) employment equity plan

QUARTER TWO

- Oversaw the one-year progress as measured against the three-year DoL employment equity plan
- Reviewed progress of implementation of employment equity performance at foreign operations

QUARTER THREE

- Oversaw alignment of reporting against both Financial Sector Charter (FSC) and dti codes
- Reviewed outcomes to improve gender equality in the workplace
- Preferential procurement: the group's focus on procurement with black-owned and black women-owned entities was discussed

QUARTER FOUR

- Lessons learnt from the FirstRand BEE transaction
- Analysis of franchise terminations and loss of ACI talent
- Oversaw integration of supplier development as a new element on the BEE scorecard

BEE SCORECARD

The group retained level 2 BEE status.

%	Target	2015	2014
Ownership	14 + 3	**16.53**	15.27
Management control	8	**6.33**	5.85
Employment equity	15	**10.23**	9.87
Skills development	10	**8.88**	9.03
Preferential procurement	16	**15.43**	15.23
Empowerment financing*	15	**15.00**	15.00
Enterprise development	5	**5.00**	4.12
Socioeconomic development	3	**3.00**	3.00
Access to financial services	–	**12.84**	11.65
Geographic	4	**3.62**	3.05
Electronic access	1	**1.00**	1.00
Banking densification	2	**1.88**	1.88
Access qualifying products	3	**2.34**	2.13
Affordable housing – origination	2	**2.00**	1.59
Consumer financial education	2	**2.00**	2.00

* *Empowerment financing score composed of transformational infrastructure, affordable housing, financing black SMEs, agricultural financing and BEE transactions.*

WORKFORCE MOVEMENTS

	2015	2014	% change
SA staff complement at 1 July	**33 143**	32 363	2
New appointments	**6 922**	4 253	63
Resignations	**(2 523)**	(2 531)	–
Retrenchments	**(67)**	(44)	52
Dismissals	**(373)**	(369)	1
Deaths and disabilities	**(81)**	(63)	29
Other*	**(423)**	(466)	(9)
SA staff complement at 30 June	**36 598**	33 143	10
Rest of Africa	**5 001**	4 842	3
Other countries	**664**	557	19
Total workforce	**42 263**	38 542	10
Number of ACI employees (SA operations)	**27 256**	23 800	15
ACI employees as a % of SA workforce	**74%**	72%	

* *Other consists of retirements, non-renewal of contracts, secondments and internal transfers.*

The 10% increase in total workforce is largely driven by conversion of temporary employees paid via recruitment agencies to permanent employees in line with regulatory requirements. Workforce increase would otherwise have been 4% year-on-year.

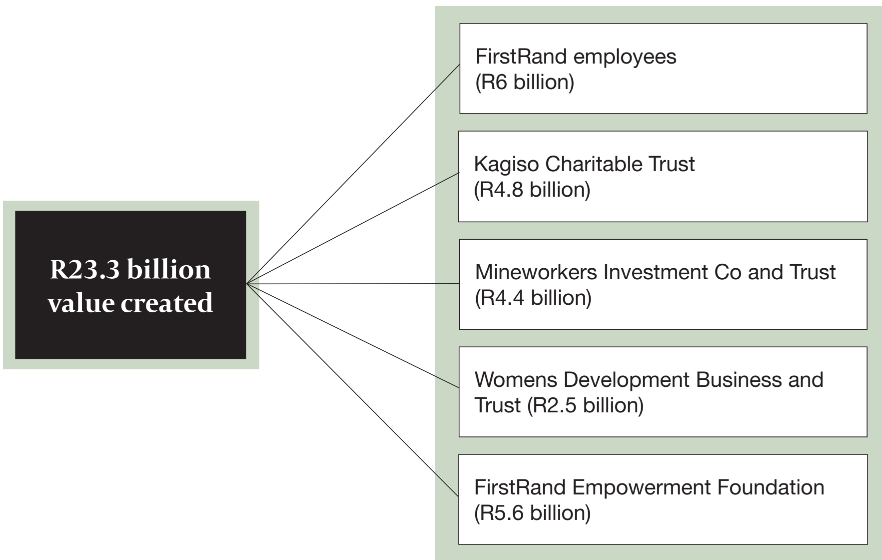
BEE PROCUREMENT SPEND

R million	2015	2014	% change
BEE procurement spend	**13 426**	11 495	17
Spend with EME and QSE's	**2 663**	2 264	18
Spend with black-owned and black women-owned businesses	**2 624**	2 136	23
Total measurement procurement spend	**13 694**	12 252	12
BEE as a % of total measured procurement	**98%**	94%	

Performance disclosed on a calendar year basis per regulatory reporting.

BEE TRANSACTION

In December 2014, FirstRand's BEE deal matured and unlocked significant value for its participants. The BEE participants in the FirstRand Empowerment Trust (FRET) will hold their FirstRand shares until 31 December 2018 or an earlier date should there be an earlier finalisation of legislation relating to BEE ownership. Following the maturity of the transaction, FirstRand's BEE ownership is 5.3%, with more than 85% of the benefit attributable to FRET vesting in broad-based empowerment trusts.



WORKPLACE DIVERSITY

Developing and retaining key black talent is a strategic objective for sustaining a strong pipeline for top and senior management. The group will achieve this through targeted recruitment, skills and leadership development programmes, and further alignment of succession planning with EE targets.

WORKFORCE PROFILE: JUNE 2015

	Male					Female						
Occupational levels	**African**	**Coloured**	**Indian**	**White**	**Total male**	**African**	**Coloured**	**Indian**	**White**	**Total female**	**Foreign nationals**	**Total**
Top management	7	–	3	30	**40**	3	2	1	2	**8**	**3**	**51**
Senior management	108	39	174	718	**1 039**	69	32	92	320	**513**	**28**	**1 580**
Middle management	1 353	458	1 024	2 304	**5 139**	1 289	780	958	2 090	**5 117**	**145**	**10 401**
Junior management	2 054	691	537	734	**4 016**	3 809	2 016	982	1 903	**8 710**	**74**	**12 800**
Semi-skilled and discretionary decisions	2 619	492	269	246	**3 626**	5 212	1 151	466	712	**7 541**	**28**	**11 195**
Unskilled and defined decision making	233	35	–	2	**270**	272	26	–	2	**300**	**1**	**571**
Total South Africa	6 374	1 715	2 007	4 034	**14 130**	10 654	4 007	2 499	5 029	**22 189**	**279**	**36 598**

PROCEEDINGS AND PERFORMANCE REVIEW

FirstRand's transformation monitoring committee is chaired by an independent non-executive director and comprises five non-executive directors, two of whom are independent. The chief executives of FirstRand's operating franchises and other senior management attend in an *ex officio* capacity. The committee is a subcommittee of the board charged with overseeing the development and successful implementation of the group's transformation strategy.

	Aug 2014	**Nov 2014**	**Feb 2015**
MS Bomela	✓	✓	A
NN Gwagwa – chairman	✓	✓	✓
AT Nzimande	✓	✓	✓
KB Schoeman	A	A	✓
BJ van der Ross	✓	A	✓

A - apology tendered and accepted.

During the year under review, the committee members conducted an effectiveness survey and are satisfied that the committee has met the requirements of its charter.

NN Gwagwa
Chairman, transformation monitoring committee

9 September 2015

SOCIAL AND ETHICS COMMITTEE

Hennie van Greuning | Chairman

The committee oversees efforts to promote responsible business practices based on performance in the following key areas: culture, conduct, platforms and monitoring.

During the year the committee met three times. From 2016 onward there will be four meetings a year.

2015 IN REVIEW

QUARTER ONE

- Reviewed market conduct programme maturity with a focus on management oversight platforms
- Considered effectiveness of market conduct management interventions along several product lines in order to ensure that the appropriate portfolios of evidence exist

QUARTER TWO

- Reviewed the outcome of several culture risk assessments
- Considered the group's positioning in respect of environmental, social and risk management disclosure

QUARTER THREE

- Reviewed outcomes of special market conduct assessments conducted in the group
- Considered the group's environmental, social and governance disclosures, including those relating to Equator Principles and carbon emissions

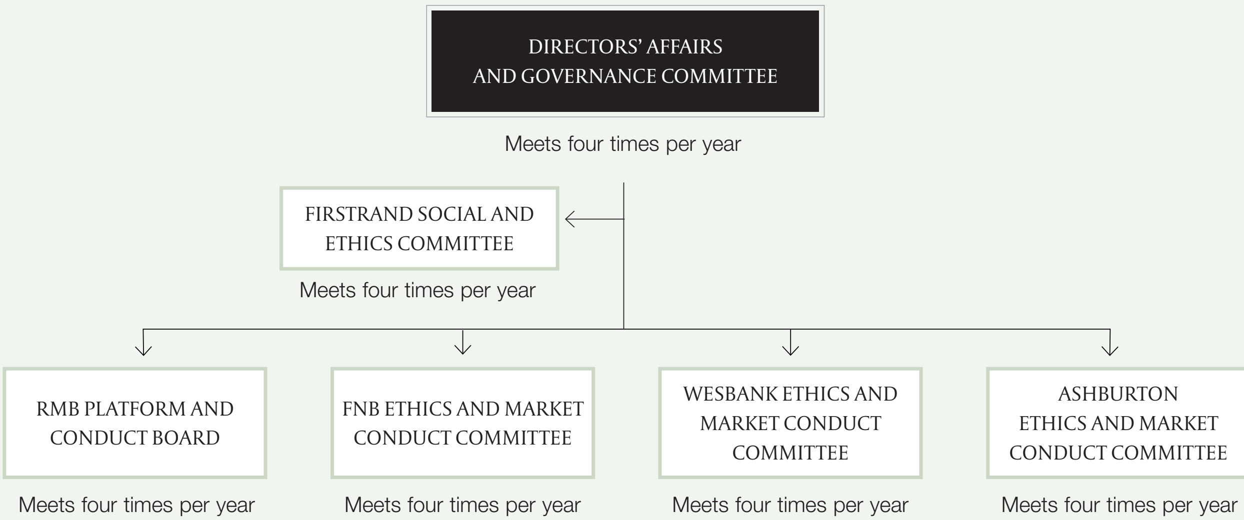
SOCIAL AND ETHICS OVERSIGHT FRAMEWORK

Culture	Strategy	Tone from the top
Conduct	Objectives and goals	Minimum operating standards
Management platforms	Enablers	Processes to enable efficient monitoring
Monitoring	Measurement	Compiling accurate and relevant portfolios of evidence

OVERSIGHT STRUCTURES

Significant progress has been made establishing group-wide ethics governance structures.

Franchise and African subsidiary committees are management committees consisting of the respective entities' executive management.



CULTURE AS A BUSINESS AND RISK MANAGEMENT ASSET

The committee endorses a risk philosophy which takes cognisance of the importance of ethical conduct.

Organisational culture is an important component of ensuring the robustness of the group's internal control environment. For this reason strategy and leadership and its intersect with culture is continuously evaluated.

CULTURE RISK ASSESSMENT

Culture risk assessments are conducted in every major business in the group at least every three years. These provide a proactive view into behavioural and operational risk that may exist. Culture risk assessment focuses on three elements – leadership, flow of information and attitudes towards customers.

LEADERSHIP	FLOW OF INFORMATION	CUSTOMERS
Active promotion of the FirstRand philosophy	Legitimising candour especially across hierarchies	Increased customer centricity embedded in strategy
Leadership development/ impact through others	Safe and effective reporting mechanisms	Strong customer centric goal setting in management
Stronger distinctions between strategic and operational layers	Better platform and inbuilt controls	Client service and conduct measurements and rewards

Seven major assessments were completed in the reporting period with a focus on FNB Africa.

CONDUCT PROGRAMMES

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

The committee oversees the translation of conduct provisions and minimum operating standards into policy. These provisions define the conduct expected by the group and its employees. Minimum operating standards describe controls used to assess performance. Programmes overseen during the year are organised according to three themes – business conduct, market conduct and the environment.

Business conduct of employees

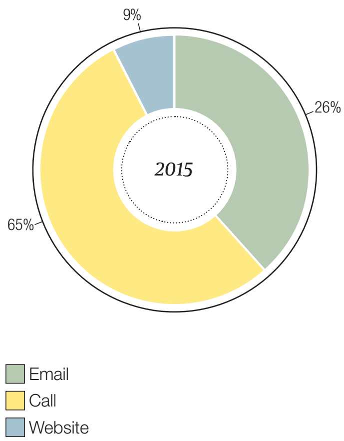
The committee oversaw several business conduct programmes. These programmes are applicable to all employees at all operations.

- **Encouraging safe and effective whistle blowing** – a new case management system was designed and adopted. Whistle blowers making use of the ethics line assisted the group in exposing theft, fraud and corruption, human resource abuses and policy contraventions.
- **Leading Light** is the reward programme that incentivises and rewards employees who demonstrate vigilance in assisting the group to detect and prevent theft, fraud and corruption. R4 million was awarded during the year.
- The **declaration of interests** platform has been significantly enhanced. The declaration process was made paperless with employees able to making quick and convenient declarations of gifts and ownership interests.
- **The group continues to evaluate clients** based on a combination of regulatory, ethical and credit standards.

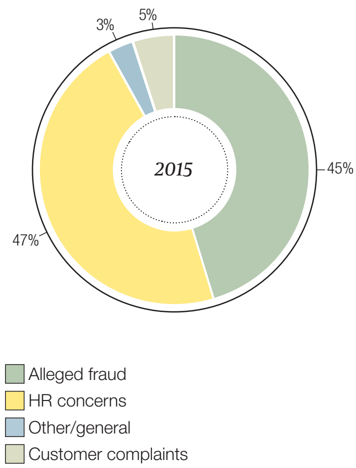
ETHICS LINE REPORTS

Number of reports	2015	2014	% change
Quarter 1	**41**	51	(20)
Quarter 2	**34**	88	(61)
Quarter 3	**50**	60	(17)
Quarter 4	**59**	35	69
Total	**184**	234	(21)

2015 REPORTS BY CHANNEL



2015 TYPES OF CASES



The majority of ethics line reports are received from FNB. Of the 184 ethics line calls reported above, 161 have been closed and 23 are pending further investigation.

Market conduct of employees

In addition to business conduct programmes the committee oversaw several market conduct initiatives.

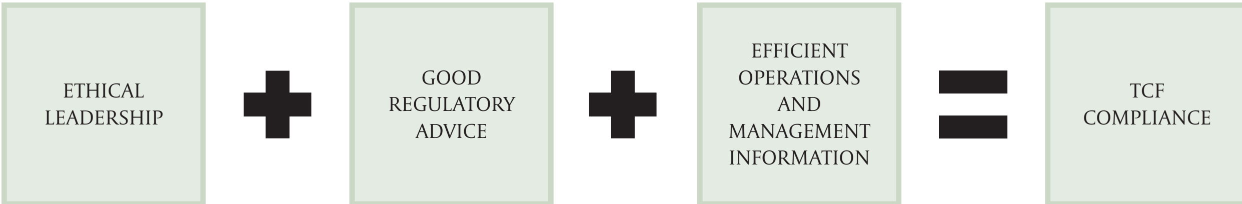
- **Responsible competitive practice** training was provided using a customised electronic learning platform. Over 400 employees completed the e-learning programme during the year.
- **An ethical trading in financial markets policy** formally clarified the group's commitment to responsible trading in various financial markets.

The group's retail market conduct programme continues to mature and focuses on treating customers fairly (TCF). Compliance to TCF will be a result of a combination of ethical leadership, good regulatory advice, and efficient business process and information management.

The TCF programme incorporates FAIS and National Credit Act consideration under one holistic retail market conduct programme.

- Several thousand employees have been trained on TCF principles.

TREATING CUSTOMERS FAIRLY PROCESS



ENVIRONMENT

There are several environmental programmes overseen by the committee.

Equator Principles and ESRA (environmental and social risk assessment)

ESRA, which encompasses the application of the Equator Principles, entails the review of direct environmental and social risks that may be associated with the proposed activities of a client requesting financing.

The objectives of conducting ESRA reviews on transactions are:

- ensure the clients activities are in compliance with the group's environmental and social requirements;
- identify both risks and opportunities and to ensure that all relevant risks have been taken into account in providing finance or investment by the group; and
- avoid potential environmental liabilities that could affect the longevity of the client and/or the facility provided to the client.

ESRA RISK CLASSIFICATIONS

A	Activities with potential significant adverse social or environmental impact
B	Activities with potential limited adverse social or environmental impact
C	Activities with minimal or no social or environmental impact

The group is currently in the seventh year of implementation of ESRA processes. During the year, areas of focus included the expansion of the ESRA process into the group's subsidiaries in the rest of Africa. The rollout of this process is expected to take place over a three-year period, with priority determined by the size and maturity of the subsidiary.

Ecological footprint

Carbon consumption is calculated per franchise and reported internally to the franchise social and ethics committees, as well as externally in the Carbon Disclosure Project.

Electricity use contributes 88% of the group carbon footprint.

CARBON EMISSIONS

(Metric tonnes of CO_2 equivalents)	2015	2014	change
Scope 1 emissions			
Fuel use in generators	**997**	244	>100
Business fleet travel	**7 479**	7 468	0.1
Refrigerants	**1 844**	2 286	(19)
Scope 2 emissions			
Electricity	**268 557**	259 978	3
Scope 3 emissions			
Paper use	**2 336**	2 406	(3)
Business road travel	**11 287**	5 937	90
Business air travel	**12 627**	11 128	13
Fuel well to tank emissions	**1 743**	1 545	13
Electricity T&D losses	**9 857**	–	
Total carbon emissions	**316 727**	290 992	9
Total energy used (KWh – thousands)	**293 684**	282 553	4

2014 electricity figures have been restated to include FNB Africa to allow for a year-on-year comparison.

During the year the group's carbon footprint increased by 9%. This is principally attributed to:

- the addition of the new Portside, FNB Acacia House and the Pritchard Street buildings to the carbon footprint;
- an increase in diesel purchases due to electricity shortages. Diesel purchases for use in generators increased by 309% compared to the prior year;
- an increase in business road travel; and
- the addition of a new scope 3 category to account for electricity transmission and distribution (T&D) losses.

Green buildings are receiving priority. All new buildings are constructed in an energy efficient manner to reduce operational energy costs. The group seeks to achieve at least a 4 green star rating for all new buildings in terms of the Green Building Council of South Africa. Recent buildings include FNB Portside Building in Cape Town – 5 star; FNB Acacia House in Umhlanga – 4 star; and FNB Freedom Plaza, Windhoek Namibia – 4 star. These efforts help to minimise the ecological impact of the group as it expands.

PROCEEDINGS AND PERFORMANCE REVIEW

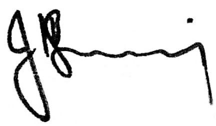
The committee is constituted as a subcommittee of FirstRand's directors affairs and governance committee in accordance with the statutory requirements set out in section 72 and regulation 43 of the Companies Act 71 of 2008. It is charged with promoting responsible business practices across the FirstRand group. The FirstRand social and ethics committee is constituted exclusively of non-executive directors, three of whom are independent. The CEO, deputy CEO and financial director attend meetings in an *ex officio* capacity. The group ethics officer is a permanent special advisor to the committee and is responsible for the preparations of the committee. The group head of regulatory risk management, human capital and the chief risk officers of the group's franchises are invited in an *ex officio* capacity as and when required.

The committee met three times during the year. Membership and attendance were as follows:

	Oct 2014	Feb 2015	May 2015
JH van Greuning – chairman	✓	✓	✓
MS Bomela	✓	✓	✓
NN Gwagwa	✓	✓	A
BJ van der Ross	✓	✓	✓

A – apology tendered and accepted.

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



JH van Greuning
Chairman, social and ethics committee

9 September 2015

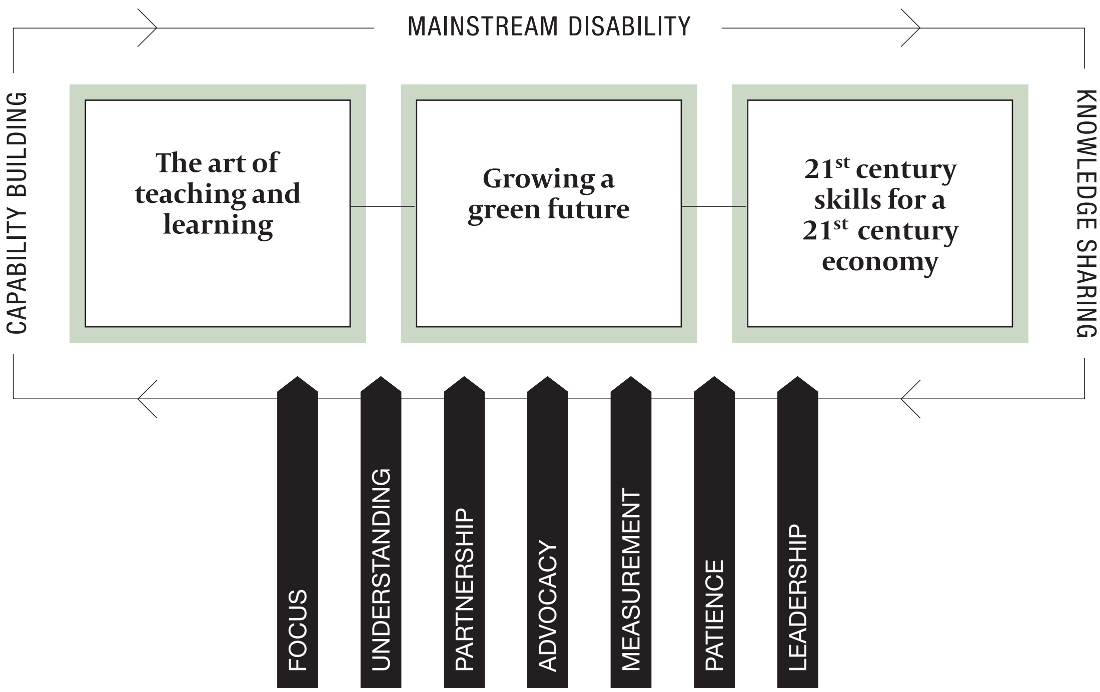
FIRSTRAND FOUNDATION

SE Nxasana | Chairman

At the FirstRand Foundation's June 2014 strategy session, trustees approved a fundamental shift in the Foundation's strategy. For the past year it has been working to transition from the programmatic approach followed since 2006 to systemic social investment (SSI). SSI is a multi-faceted strategy, which at the most basic level aims to confront the root causes of social problems (not only the symptoms) through strategic interventions in order to bring about lasting, system-wide change.

2015 IN REVIEW

The Foundation has been in existence for 17 years and has given away more than R1 billion towards social change during this time. SSI is designed to reinvent social investment with a strong focus on systemic impact.



- The Foundation will continue to support nine **distinct, yet interrelated programmes** (four programmes have been closed in the past 18 months in order to allow for more purposeful focus). These programmes will be allocated to one of the buckets listed below.
- **Three buckets of systemic interest** have been identified: *The Art of Teaching and Learning; 21st Century Skills for a 21st Century Economy;* and *Growing a Green Future* (in each of these buckets, the Foundation will spend the next year identifying a specific systemic intervention that will be committed to in the long term).
- SSI work will be founded on seven **key pillars**: focus, understanding, partnership, advocacy, measurement, patience and leadership.
- Three **priorities cut across** all of the work of the Foundation: mainstreaming of disability, capacity-building and knowledge sharing.

SOCIAL INVESTMENT PORTFOLIO BREAKDOWN

Investment value (R thousand)	**2015**	**2014**	**% change**
Early childhood development[1]	**18 480**	12 537	47
Primary education[2]	**12 190**	8 340	46
Maths leadership and development[3]	**22 290**	8 116	>100
Bursaries and scholarships[4]	**16 143**	12 003	34
Creative arts[5]	**13 620**	9 720	40
Food security and agricultural livelihoods[6]	**14 648**	21 625	(32)
Hospice[7]	**9 100**	9 565	(5)
Community care[8]	**23 090**	7 983	>100
Discretionary *ad hoc* donations	**1 259**	750	68
Environment[9]	**8 600**	3 846	>100
FirstRand Volunteers	**6 113**	5 106	20
KhulaSangam[10]	**5 389**	–	100
Leadership[10]	**–**	5 264	(100)
Maths education chairs[11]	**6 000**	7 500	(20)
National Education Collaboration Trust (NECT)[12]	**10 000**	10 000	–
Thought leadership partners[13]	**3 500**	1 870	87
M&E capacity building	**3 312**	–	100
Cross-cutting investments	**1 705**	–	100
Total	**175 439**	124 225	41

Notes

1. *The ECD programme began a new three-year cycle, with an increased annual budget.*
2. *Funding for the primary education programme increased in the current year and is now fully implemented.*
3. *The MLD programme was closed as part of the SSI transition; substantial exit grants were awarded to partners.*
4. *Increase is largely due to a doubling of FirstRand Laurie Dippenaar scholarships awarded this year compared to previous years.*
5. *The creative arts programme, previously known as the arts, culture and heritage programme, started a new three-year cycle.*
6. *As part of ongoing strategic changes to the programme, certain funding amounts from this financial year will only be awarded in late 2015.*
7. *Investment in the hospice programme, which will close in 2015/16, was relatively flat.*
8. *During the year the community care programme was closed as part of the SSI transition; substantial exit grants were awarded to partners.*
9. *The environment programme began a new three-year cycle with a full budget, compared to bridging finance provided to some partners in 2014.*
10. *Following a year of planning after a successful pilot, a second iteration of the programme was funded this year. The programme was renamed KhulaSangam.*
11. *The number of maths chairs supported by the Foundation decreased from six to five.*
12. *A second annual contribution to the NECT was awarded.*
13. *There was an increase in the amount of funding to the Foundation's thought leadership partners.*

Monitoring and evaluation (M&E)

This year, as part of the Foundation's commitment to continuously improve M&E and understand programme impact, a series of M&E capacity-building workshops were funded. The purpose of these workshops was to finalise the M&E indicators for each programme and to ensure that the Foundation and its partners agree terms for M&E expectations.

SOCIAL IMPACT

FNB early childhood development (ECD) programme

The FNB ECD programme aims to increase access to and quality of ECD services to as many children as possible. The FNB Fund is an equal partner with the DG Murray Trust and ELMA Philanthropies in the *Ilifa Labantwana* initiative, which aims to help bring about systemic change in the ECD sector.

FNB EARLY CHILDHOOD DEVELOPMENT PROGRAMME

	2015	2014	% change
Investment value (R thousand)	**18 480**	12 537	47
ECD practitioners reached	**649**	775	(16)
– through direct training	**597**	574	4
– through ECD centre capacity-building support	**52**	201	(74)
ECD practitioners obtaining ECD qualifications*	**175**	128	37
Training practitioners implementing improved daily programme	**533**	489	9

* *Most training courses run for 18-34 months, so practitioners graduate on varying cycles, explaining change in qualification rates despite stable numbers of practitioners trained.*

FNB primary education programme

The goal of the primary education programme is to improve the functionality of schools and delivery of quality education. It was established in late 2013 and is planned to run over three years in 39 schools across four specific education districts (two in KZN and two in Free State). Data related to 19 KZN schools is reported below. One of the early successes of the programme relates to learning barriers. Before the programme began, a baseline assessment revealed that participating KZN schools believed only 608 learners had a barrier of some kind. Through the work of one programme partner, the full scale of the challenge has been revealed. The intention in the immediate and medium term is to broaden and deepen the reach of the programme through strategic partnerships with public institutions, and private and civil society organisations.

FNB PRIMARY EDUCATION PROGRAMME

	2015	2014	% change
Investment value (R thousand)	**12 190**	8 340	46
Number of schools	**37**	19	95
Number of participating principals and managers	**319**	61	>100
Number of teachers participating in teaching and curriculum support	**407**	331	23
Number of parents reached through parental school involvement	**3 968**	2 768	43
Learners screened for learning barriers	**7 711**	5 357	
Learners with poverty-related barriers	**3 238**	2 268	43
Learners with academic barriers	**3 932**	2 741	43
Learners with health-related barriers	**408**	250	63
Learners with psychosocial barriers	**130**	82	59
Learners with disabilities	**3**	16	(81)

RMB maths leadership development programme

Increasing the participation of learners in mathematics as well as improving the quality of passes in Grade 12 examinations is the central goal of the programme. There was a large increase in the scale of the programme as new partners were brought on board, although national challenges around quality were mirrored. Particularly encouraging was the percent of matriculants scoring between 70%-100% in mathematics and science from 2014 to 2015.

MATHEMATICS AND SCIENCE STATISTICS – TOTAL LEARNERS

	2015				2014				
	Grade 9	Grade 10	Grade 11	Grade 12	Grade 9	Grade 10	Grade 11	Grade 12	% change Grade 12 (only)
Mathematics enrolment and performance									
0 – 29%	**–**	**284**	**203**	**172**	22	159	8	13	>100
30 – 49%	**25**	**139**	**147**	**272**	53	162	109	91	>100
50 – 69%	**37**	**54**	**65**	**292**	89	87	100	109	>100
70 – 100%	**29**	**28**	**25**	**116**	31	41	72	30	>100
Total	**91**	**505**	**440**	**852**	195	449	289	243	>100
Physical science enrolment and performance									
0 – 29%	**1**	**242**	**116**	**118**	1	16	11	22	>100
30 – 49%	**20**	**164**	**195**	**177**	11	100	74	90	97
50 – 69%	**38**	**31**	**25**	**135**	69	75	53	64	>100
70 – 100%	**7**	**3**	**4**	**53**	14	15	11	7	>100
Total	**66**	**440**	**340**	**483**	95	206	149	183	>100

Bursaries and scholarships

The FNB Fund tertiary bursary programme aims to provide tertiary bursaries to over 250 students who have academic potential but are financially disadvantaged. In the past financial year, the programme annual budget was increased in order to reach more students; once again pass and graduation rates of bursars outperformed national averages. At a postgraduate level, 13 international scholarships and bursaries were awarded to exceptional young South Africans through the FirstRand Laurie Dippenaar scholarship and Momentum Dippenaar scholarship programmes.

BURSARIES AND SCHOLARSHIPS

Bursary and scholarship investments	2015	2014	% change
Investment value (R thousand)	**16 143**	12 003	34
Bursars enrolled in the FNB tertiary bursary programme	**247**	248	–
Passed and continuing to study	**159**	145	10
Passed and graduated	**50**	52	(4)
Left the programme*	**8**	5	60
Dropped out of the programme**	**30**	2	>100

* *Bursars who left the FNB programme after successfully finalising bursary support from other sources.*

** *Bursars whose bursaries will be discontinued due to poor performance.*

RMB creative arts programme

The RMB Fund supports the disciplines of music, dance, drama, visual art and heritage to enable transformation, equitable access and excellence in the arts sector. The programme has reported encouraging progress across most performance indicators. The arts sector struggles to access funding from corporate and other donors, but the creative economy unquestionably plays a crucial role in South Africa's development.

RMB CREATIVE ARTS PROGRAMME

Creative arts programme	2015	2014	% change
Investment value (R thousand)	**13 620**	9 720	40
Arts, culture and heritage-related jobs created or sustained	**819**	514	59

WesBank food security and agricultural livelihoods programme (FSAL)

Helping people to help themselves through homestead and community food gardening, the WesBank Fund FSALP received an increase in funding during the current financial year, with the additional funding invested in:

- helping to establish locally-based self-sustaining food gardening support centres;
- water solutions for both household and community food gardens settings; and
- trials of new technologies, ranging from geomap-enabled monitoring systems to cost-effective water storage applications.

FSAL investments	2015	2014	% Change
Investment value (R thousand)	**14 648**	21 625	(32)
People trained in food gardening	**19 602**	9 117	>100
New food gardens established and supported	**7 250**	6 162	18
Gardens established that remain active	**7 139**	5 766	24
People benefiting from established gardens	**34 051**	37 182	(8)

FNB hospice programme

The hospice programme aims to improve the quality of life of people with life-limiting illnesses. This is achieved through support for home-based care, palliative-care training and championing of palliative care as an integral part of public health care provisioning. This year, the hospice programme began funding community careworker training to support the implementation of the Department of Health's reengineering of primary healthcare. Continued relevance of hospices in a fast changing health sector landscape depends on the development of sustainable income streams, such as offering accredited training or other professional services for hire.

HOSPICE INVESTMENTS

	2015	2014	% change
Investment value (R thousand)	**9 100**	9 565	(5)
Patients reached	**12 314**	12 023	2

COMPOSITION

The trustees of the FirstRand Foundation comprise four executives from the group and six independent trustees with expert knowledge in areas supported by the Foundation. The Foundation is administered by Tshikululu Social Investments, an independent non-profit social investment management company.

PROCEEDINGS AND PERFORMANCE REVIEW

During the year the Foundation's trustees conducted an effectiveness survey and are satisfied that they have met the requirements of its charter.

SE Nxasana
Chairman, FirstRand Foundation

9 September 2015

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

We have undertaken an assurance engagement on selected non-financial information, as presented in the FirstRand Limited group integrated report for the year ended 30 June 2015.

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

DIRECTORS' RESPONSIBILITY

The directors' are responsible for:

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

INTERNAL AUDIT RESPONSIBILITY

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

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

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

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

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

Based on the results of the work performed on the selected non-financial information as presented in FirstRand's integrated report for the year ended 30 June 2015, Group Internal Audit confirms that:

- Nothing has come to our attention that causes us to believe that the identified sustainability information selected for our review has not been prepared, in all material respects, in accordance with the defined reporting criteria. The following areas are receiving management's attention:
  - Management assurance has been provided regarding the CSI reports provided by Tshikululu Social Investments. As part of the combined assurance initiatives that are being implemented, management is working towards obtaining independent assurance regarding certain information reported on the CSI reports.
  - The level of data accuracy in the report content was found to be within satisfactory levels. Statements included in the report that required improvement were identified, and all suggested changes and identified anomalies were corrected prior to the finalisation of the report. Additional improvements were recommended for further enhancement of sustainability management and reporting in the group.
- As required by King III, stakeholders were identified and adequately addressed in the report.
- The report content for the major operating divisions, local and international subsidiaries is closely aligned to the ESG risks identified by FirstRand.

J John
Chief audit executive

28 September 2015

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FIRSTRAND GROUP
ANNUAL FINANCIAL STATEMENTS

DIRECTORS' RESPONSIBILITY STATEMENT

TO THE SHAREHOLDERS OF FIRSTRAND LIMITED

The directors of FirstRand Limited are responsible for the preparation of the consolidated and separate annual financial statements in terms of the Companies Act 71 of 2008. In discharging this responsibility, the directors rely on management to prepare the consolidated and separate annual financial statements in accordance with International Financial Reporting Standards (IFRS) and for keeping adequate accounting records in accordance with the group's system of internal control. As such, the annual financial statements include amounts based on judgments and estimates made by management.

In preparing the annual financial statements, suitable accounting policies have been applied and reasonable estimates have been made by management. The directors approve significant changes to accounting policies. There were, however, no changes to accounting policies during the financial year. The annual financial statements incorporate full and responsible disclosure in line with the group's philosophy on corporate governance.

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

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

The directors have reviewed the group and company's budgets and flow of funds forecasts and considered the group and company's ability to continue as a going concern in the light of current and anticipated economic conditions. The directors have reviewed the assumptions underlying these budgets and forecasts based on currently available information. On the basis of this review, and in the light of the current financial position and profitable trading history, the directors are satisfied that the group has adequate resources to continue in business for the foreseeable future. The going concern basis, therefore, continues to apply and has been adopted in the preparation of the annual financial statements.

It is the responsibility of the group's independent external auditors, Deloitte & Touche and Pricewaterhouse Coopers Inc., to report on the fair presentation of the annual financial statements. These annual financial statements have been audited in terms of section 29(1) of the Companies Act 71 of 2008. Their unmodified report appears on page 131.

The consolidated annual financial statements of the group, which appear on pages 139 to 274, pages 276 to 491 and the separate annual financial statements of the company, which appear on pages 494 to 514, and specified sections of the risk management report were approved by the board of directors on 9 September 2015 and are signed on its behalf by:

LL Dippenaar

LL Dippenaar
Chairman

SE Nxasana
Chief executive officer

Sandton

9 September 2015

GROUP SECRETARY'S CERTIFICATION

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

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

C Low
Company secretary

Sandton

9 September 2015

INDEPENDENT AUDITORS' REPORT

TO THE SHAREHOLDERS OF FIRSTRAND LIMITED

We have audited the consolidated and separate financial statements of FirstRand Limited, set out on pages 276 to 514, which comprise the consolidated and separate statements of financial position as at 30 June 2015, the consolidated income statement, the consolidated and separate statements of comprehensive income, the consolidated and separate statements of changes in equity and the consolidated and separate statements of cash flows for the year then ended, and the notes, comprising a summary of significant accounting policies and other explanatory information.

Directors' responsibility for the consolidated and separate financial statements

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

Auditors' responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risk of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of FirstRand Limited as at 30 June 2015, and its consolidated and separate financial performance and its consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

Other reports required by the Companies Act

As part of our audit of the consolidated and separate financial statements for the year ended 30 June 2015, we have read the directors' report, the audit committee's report and the company secretary's certification for the purpose of identifying whether there are material inconsistencies between these reports and the audited consolidated and separate financial statements. These reports are the responsibility of the respective preparers. Based on reading these reports we have not identified material inconsistencies between these reports and the audited consolidated and separate financial statements. However, we have not audited these reports and accordingly do not express an opinion on these reports.

Deloitte & Touche

Deloitte & Touche
Registered auditor
Per: Darren Shipp
Partner

PricewaterhouseCoopers Inc.

PricewaterhouseCoopers Inc.
Registered auditor
Director: Francois Prinsloo
Sandton
9 September 2015

DIRECTORS' REPORT

for the year ended 30 June

NATURE OF BUSINESS

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

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

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

Refer to page 521 for a simplified group structure of the group.

INTEGRATED REPORT

The board acknowledges its responsibility for the integrity of this integrated report. Guidelines as provided by King III have been adopted in preparation of this integrated report. The board believes that this report fairly represents the performance of the group.

DIVIDENDS

Ordinary shares

The following ordinary cash dividends were declared in respect of the 2015 financial year.

	Year ended 30 June	
Cents per share	**2015**	**2014**
Interim (declared 6 March 2015)	**93.0**	77.0
Final (declared 9 September 2015)	**117.0**	97.0
Total	**210.0**	174.0

The salient dates for the final dividend are as follows:

Last day to trade cum-dividend	Friday 2 October 2015
Shares commence trading ex-dividend	Monday 5 October 2015
Record date	Friday 9 October 2015
Payment date	Monday 12 October 2015

Share certificates may not be dematerialised or rematerialised between Monday 5 October 2015 and Friday 9 October 2015, both days inclusive.

For shareholders who are subject to dividend witholding tax (DWT), tax will be calculated at 15% (or such lower rate if a double taxation agreement applies to foreign shareholders).

For South African shareholders who are subject to DWT, the net final dividend after deducting 15% tax will be 99.45000 cents per share.

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

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

B preference shares

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

Dividends declared and paid

	Preference dividends
Cents per share	**2015**
Period:	
27 August 2013 – 24 February 2014	**320.3**
25 February 2014 – 25 August 2014	**341.1**
26 August 2014 – 23 February 2015	**348.5**
24 February 2015 – 31 August 2015	**363.9**

SHARE CAPITAL

Details of FirstRand's authorised share capital as at 30 June 2015 are shown in note 14 to the company's financial statements.

Ordinary share capital

There were no changes to authorised share capital.

The ordinary issued share capital changed from 5 637 941 689 to 5 609 488 001 as a result of the unwinding of the BEE transaction effective 31 December 2014 as follows:

- 63 873 702 ordinary shares of 1 cent each were reverted to authorised but unissued ordinary shares of the company in accordance with section 35(5) of the Act from the commencement of business on Friday, 2 January 2015, at a consideration of R48.92 per ordinary share, in terms of the company's share repurchase; and
- 35 420 014 ordinary shares were issued in the capital of the company resulting from an issue of shares for cash in terms of a general authority on 20 January 2015 at an issue price of R46 per share.

Preference share capital

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

SHAREHOLDER ANALYSIS

The following shareholders have a beneficial effective interest of 5% or more in FirstRand's issued ordinary shares.

%	2015	2014
RMB Holdings Limited	**34.1**	33.9
Public Investment Corporation	**9.2**	8.7
FirstRand empowerment trust and related parties	**5.0**	8.1
Financial Securities Limited (Remgro)	**3.9**	3.9

A further analysis of shareholders is set out on page 522.

EVENTS AFTER THE REPORTING PERIOD

The directors are aware of the following material events that have occurred between the date of the statement of financial position and the date of this report:

- WesBank, together with Hollard Insurance Company, formed a new holding company, whereby FirstRand will be the majority shareholder with 81.1% shareholding. The new holding company will acquire two entities, namely Motorite and SMART, conditional upon receiving approval from the applicable regulatory bodies.
- It is anticipated that during the 2016 financial year, Discovery Limited (Discovery) will subscribe for preference shares in FirstRand Bank Limited in the amount of R1.35 billion and increase its participation in DiscoveryCard to 74.99% with FirstRand retaining 25.01%.
- WesBank, has acquired the non-controlling interests in Direct Axis SA Proprietary Limited on 1 July 2015 for a total consideration of R1.335 billion. The transaction resulted in Direct Axis moving from a partly-owned to a wholly-owned subsidiary.

Other subsequent events

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

DIRECTORATE

Details of the board of directors are on pages 70 to 81.

BOARD CHANGES

Sizwe Errol Nxasana will resign as chief executive officer and executive director of FirstRand and FirstRand Bank with effect from 30 September 2015.

Johan Petrus Burger will be appointed as chief executive officer of FirstRand and FirstRand Bank in place of Sizwe Errol Nxasana with effect from 1 October 2015.

Alan Patrick Pullinger will be appointed deputy chief executive officer and executive director of FirstRand and FirstRand Bank with effect from 1 October 2015.

In addition to the above:

Paballo Joel Makosholo will be appointed as a non-executive director of FirstRand and FirstRand Bank with effect from 1 October 2015.

Kgotso Buni Schoeman will resign as a non-executive director of FirstRand and FirstRand Bank with effect from 30 September 2015.

Jurie Johannes Human Bester retired at the conclusion of the 2014 annual general meeting and did not offer himself for re-election.

DIRECTORS' AND PRESCRIBED OFFICERS' INTERESTS IN FIRSTRAND

Details of the directors' and prescribed officers' interests in the issued ordinary and preference shares of FirstRand have been disclosed in the *corporate governance report* (pages 83 to 84).

DIRECTORS' AND PRESCRIBED OFFICERS' EMOLUMENTS

Details of directors' and prescribed officers' emoluments and their participation in share incentive schemes have been disclosed in the *corporate governance report* (pages 67 to 125). Further information relating to the determination of directors' and prescribed officers' emoluments, share option allocations and related matters are included in the *remuneration committee report* (pages 87 to 92).

AUDIT COMMITTEE REPORT

The *audit committee report* appears on pages 102 to 104.

MANAGEMENT BY THIRD PARTIES

The directors had no interest in any third party or company responsible for managing any of the business activities of the group except to the extent that they are shareholders in RMB Holdings, which together with Remgro, has significant influence over FirstRand.

DIRECTORS' INTEREST IN CONTRACTS

During the financial year, no contracts were entered into in which directors or officers of the company had an interest and which significantly affected the business of the group.

DISPOSALS

A number of private equity subsidiaries, associates and joint ventures were disposed of during the year. Further information is available in notes 14, 15 and 42 of the annual financial statements.

ACQUISITIONS

A number of private equity subsidiaries, associates or joint ventures were acquired during the year under review. Further information is available in note 14, 15 and 42 of the annual financial statements.

PROPERTY AND EQUIPMENT

There is no change in the nature of the property and equipment of the group or in the policy regarding their use during the year.

INSURANCE

The group protects itself against crime as well as professional indemnity by carrying large deductibles through a structured insurance risk financing programme. Levels of cover carried are commensurate with the size and stature of the group.

SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

Interests in subsidiary, associate and joint venture companies, which are considered material in view of the group's financial position and its results, are included in notes 14, 15 and 41.

COMPANY SECRETARY AND REGISTERED OFFICES

Mrs C Low is the company secretary. FirstRand's business and postal addresses appear on page 524. These addresses are also those of the registered offices.

SPECIAL RESOLUTIONS DURING 2015

The following special resolutions were passed by the company's ordinary shareholders at the AGM held on 2 December 2014, in accordance with the Companies Act:

1 Special resolution number 1

General authority to repurchase ordinary shares

Resolved the company and/or its subsidiaries be and are hereby authorised, in terms of a general authority, to acquire, as contemplated in section 48 of the Act, read with section 46, as amended, the company's issued shares from time to time on such terms and conditions and in such amounts as the directors may from time to time decide, but always subject to the approval, to the extent required, of the Registrar of Banks, the provisions of the Act, the Banks Act, the MOI and the Listings Requirements of the JSE and NSX.

2 Special resolutions number 2.1 to 2.3

Specific authorities to repurchase ordinary shares held by the FirstRand Black Employee Trust, the FirstRand Black Non-Executive Directors Trust and the FirstRand Staff Assistance Trust (together referred to as the trusts)

2.1 Resolved that the company be and is hereby authorised, by way of a specific authority, to approve the purchase, in terms of section 48 of the Act and as authorised by the MOI of the company, of a maximum of 62 000 000 FirstRand ordinary shares of 1 cent each from the FirstRand Black Employee Trust, Master's reference number IT3066/05, (FRBET), at no more than the thirty day volume weighted average price of a FirstRand ordinary share on 31 December 2014.

2.2 Resolved that the company be and is hereby authorised, by way of a specific authority, to approve the purchase, in terms of section 48 of the Act and as authorised by the MOI of the company, of a maximum of 9 000 000 FirstRand ordinary shares of 1 cent each from the FirstRand Black Non-Executive Directors Trust, Master's reference number IT3065/05, (FRBNEDT), at no more than the thirty day volume weighted average price of a FirstRand ordinary share on 31 December 2014.

2.3 Resolved that the company be and is hereby authorised, by way of a specific authority, to approve the purchase, in terms of section 48 of the Act and as authorised by the MOI of the company, of a maximum of 7 000 000 FirstRand ordinary shares of 1 cent each from the FirstRand Staff Assistance Trust, Master's reference number IT3067/05, (FRSAT), at no more than the thirty day volume weighted average price of a FirstRand ordinary share on 31 December 2014.

3 Special resolution number 3.1

Financial assistance to directors and prescribed officers as employee share scheme beneficiaries

Resolved that the directors may, subject to compliance with the requirements of the MOI, the Act and any other relevant legislation, the JSE and NSX, when applicable, each as presently constituted and as amended from time to time, authorise the company to provide direct or indirect financial assistance (as contemplated in sections 44 and/or 45 of the Act) to, *inter alia*, any director or prescribed officer of the company or of a related or interrelated company on such terms and conditions as the directors may determine from time to time in order to facilitate the participation by such director or prescribed officer in any employee share incentive scheme, provided that nothing in this approval will limit the provision by the company of financial assistance that does not require approval by way of a special resolution of the shareholders in terms of sections 44 and/or 45 of the Act or falls within the exemptions contained in those sections.

4 Special resolution number 3.2

Financial assistance to related and interrelated entities

Resolved that the directors may, subject to compliance with the requirements of the MOI, the Act and any other relevant legislation, the JSE and NSX, when applicable, each as presently constituted and as amended from time to time, authorise the company to provide direct or indirect financial assistance (as contemplated in sections 44 and/or 45 of the Act) to, *inter alia*, any related or interrelated company, trust or other entity on such terms and conditions as the directors may determine from time to time, provided that nothing in this approval will limit the provision by the company of financial assistance that does not require approval by way of a special resolution of the shareholders in terms of sections 44 and/or 45 of the Act or falls within the exemptions contained in those sections.

5 Special resolution number 4

Remuneration of non-executive directors

Resolved to approve as a special resolution in terms of section 66(9) of the Act that non-executive directors' remuneration (due to the applicable directors for services rendered by them in their capacities as such) be paid with effect from 2 December 2014 (schedule of fees not included, however can be located in the 2014 Notice of AGM).

LL Dippenaar
Chairman

SE Nxasana
Chief executive officer

9 September 2015

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RISK AND CAPITAL MANAGEMENT REPORT

OVERVIEW

Regulation 43 of the Regulations relating to Banks (Regulations), issued in terms of the Banks Act, 1990 (Act No. 94 of 1990), requires that a bank discloses in its annual financial statements and other disclosures to the public, reliable, relevant and timely qualitative and quantitative information that enables users to make an accurate assessment of the group's financial condition, including its capital adequacy, financial performance, business activities, risk profile and risk management practices. This disclosure requirement is commonly known as Pillar 3 of the Basel Accord.

This risk and capital management report (Basel Pillar 3 disclosure) covers the operations of FirstRand Limited (FirstRand or the group) and complies with the risk and capital disclosure requirements of the Regulations. The Basel III additional capital, leverage and liquidity coverage ratio (LCR) disclosure templates (as required per South African Reserve Bank (SARB) directives 3/2015, 4/2014, 6/2014 and 11/2014) can be found on the group's website: www.firstrand.co.za/investorcentre/pages/commondisclosures.aspx.

The CEO's and CFO's reports on pages 12 to 41 provide an overview of the group's financial position, performance and risk profile for the year ended 30 June 2015. FirstRand is the listed holding company an regulated bank-controlling company. The wholly-owned subsidiaries of FirstRand are:

- FirstRand Bank Limited (the bank or FRB);
- FirstRand EMA Holdings Proprietary Limited (FREMA);
- FirstRand Investment Holdings Proprietary Limited (FRIHL);
- Ashburton Investments Holdings Limited (Ashburton Investments); and
- FirstRand Insurance Holdings Proprietary Limited (FirstRand Insurance).

FRB and FREMA include the group's regulated banking operations. Ashburton Investments is the group's investment management business, FirstRand Insurance is the group's newly established insurance subsidiary and all other activities are included under FRIHL. A simplified group structure can be found on page 521 of this report.

Some differences exist between the practices, approaches, processes and policies of the bank and its fellow wholly-owned subsidiaries and these are highlighted by reference to the appropriate entity, where necessary. This report has been internally verified by the group's governance process in line with the group's public disclosure policy. All information in this report is unaudited unless otherwise indicated. For all sections denoted as audited, refer to the unmodified audit opinion on page 131.

FirstRand believes that effective risk, performance and financial resource management are of primary importance to its success and is a key component of the delivery of sustainable returns to shareholders. These disciplines are, therefore, deeply embedded in the group's tactical and strategic decision making.

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

Risk taking is an essential part of the group's business and the group explicitly recognises risk identification, assessment, monitoring and management as core competencies and important differentiators in the competitive environment in which it operates. Through its portfolio of leading operating franchises namely, FNB, RMB, WesBank and Ashburton Investments, FirstRand aims to be appropriately represented in significant financial services in its chosen markets.

MANAGING THE RISK PROFILE

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

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

EARNINGS RESILIENCE, GROWTH AND BALANCE SHEET STRENGTH

The group believes a strong balance sheet and resilient earnings are key to growth, particularly during periods of uncertainty.

FirstRand's franchises have consistently executed on a set of strategies which are aligned to certain group financial strategies and frameworks designed to ensure earnings resilience and growth, balance sheet strength, an appropriate risk/return profile and an acceptable level of earnings volatility under adverse conditions. Ultimately the group seeks to create long-term sustainable franchise value and believes it is currently delivering this through its operating franchises, all of which have strong market positioning, unique customer value propositions, efficient platforms, a relentless focus on innovation and a proven entrepreneurial culture.

These deliverables are underpinned by the application of critical financial discipline through frameworks set at the centre. These frameworks include:

Risk management framework	Performance management framework	Balance sheet framework
• assess the impact of the cycle on the group's portfolio; • understand and price appropriately for risk; and • originate within cycle-appropriate risk appetite and volatility parameters.	• allocate capital appropriately to capital-light or capital-intensive activities; • ensure an efficient capital structure with appropriate/conservative gearing; and • ensure earnings exceed cost of capital, i.e. positive net income after capital charge (NIACC).	• execute sustainable funding and liquidity strategies; • protect the credit rating; and • preserve a "fortress" balance sheet that can sustain shocks through the cycle.

The consistent application of these financial strategies and frameworks has over time allowed the group to deliver the financial metrics it targets on behalf of shareholders, namely, earnings growth of nominal GDP plus 3% – 5% and an ROE of 18% – 22%.

Refer to the CEO's report for a detailed discussion on the group's strategies to ensure resilience in earnings, growth and returns, and maintain balance sheet strength.

TOP AND EMERGING RISKS

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

TOP AND EMERGING RISKS

Risk	Description	Mitigant
Global macroeconomic environment and political risk		
Global economic outlook	Slow economic growth in developed and emerging markets, normalisation of US monetary policy and dollar strength could result in a slowdown of foreign capital flows into South Africa.	Continue to monitor economic developments in key markets with appropriate planning, action, strategy alignment and provisions as required.
Global debt	Positive growth in the West continues to be constrained by excessive debt burdens.	
Economic outlook in China	Slower economic growth in China impacts demand for a number of commodities.	
Low commodity prices	Severe price declines in a number of commodities including oil, iron ore and copper may impact the economies of particularly Nigeria, Zambia, Angola and South Africa and affect corporate credit counterparties.	
Political risk in the rest of Africa	Political instability and terrorism in a number of countries may have an impact on expansion strategies and regional economies.	Political risk in countries where the group has a presence is closely monitored.

Risk	Description	Mitigant
Local macroeconomic environment		
Local economic outlook	While economic growth in South Africa may be slightly higher than 2014's strike affected 1.5%, growth may be limited as the benefit of lower oil prices fade, and higher inflation and gradual monetary policy tightening weigh on domestic demand.	Credit origination and funding strategies are assessed in the light of economic conditions and market liquidity.
Current account deficit	South Africa's large current account deficit reflects the economy's dependence on foreign capital inflows to fund growth. The economy is vulnerable to any global or domestic economic developments that could affect foreign capital inflows.	
Sovereign rating	The risk of a sovereign rating downgrade in the medium to long term may impact foreign investment in South Africa and the cost of funding.	The impact of a sovereign downgrade on business continues to be assessed.
Regulatory and legal risks		
Regulatory developments	The regulatory landscape requires the group to deal with a number of changes and additional legal and regulatory requirements. These include market conduct, countering terrorist financing, twin peaks, anti-money laundering, treating customers fairly, and the protection of personal information, IFRS 9, National Credit Amendment Act (NCA), foreign account tax compliance and foreign asset control sanctions.	Significant investment in people, systems and processes are made to manage the risks emanating from the large number of new regulatory requirements.
Legal risk	Legal proceedings arising from business operations could give rise to potential financial loss and reputational damage.	
Risks related to business operations and internal control systems		
Electricity shortages	Constraints on national electricity supply leading to planned power outages by Eskom and the possibility of prolonged outages increase business resilience risk, despite contingency plans in place.	Contingency plans for current outages and future possible unplanned, more regular electricity interruptions.
Structural constraints	Operations are reliant on many elements of the national infrastructure, including water supply and telecommunication. Structural constraints, such as skills shortages, labour market unrest and parastatal financial issues, may have potential direct or indirect impacts on business.	The impact of structural constraints on operations is assessed with contingency plans in place where appropriate.
Funding costs	Market availability of high quality liquid assets (HQLA) could impact the group's funding position and costs.	A number of actions are in place to ensure a resilient funding profile.
Cybercrime and fraud	Cybercrime and potential money laundering threats continue to increase globally.	Threats are continuously assessed and controls adapted to address possible control weaknesses and improve system security.
Data management	New regulatory requirements for more frequent, consistent, accurate and timely data submissions.	Projects for improved data management, aggregation and reporting are underway.

THE YEAR UNDER REVIEW AND FOCUS AREAS

Year under review	Risk management focus areas
Capital management	
The Basel Committee on Banking Supervision (BCBS) issued a number of consultative documents that may impact capital levels: • a revised set of standardised approaches for credit and operational risk; • a capital floor based on the revised standardised approach for internal ratings-based accredited banks; and • various papers impacting remaining Pillar 1 and 2 risk types. These consultative documents are still under discussion and the impact, proposed calibration and implementation timelines remain outstanding.	• Maintain strong capital levels, with particular focus on the quality of capital and optimise the group's risk-weighted assets (RWA) and capital mix during the transitional period of Basel III implementation. • Continue to participate in the SARB quantitative impact studies to assess the impact of Basel III developments on capital adequacy and leverage. The National Treasury, SARB and Financial Services Board (FSB) published a discussion document, *Strengthening South Africa's Resolution Framework for Financial Institutions*. Comments on this paper are due by 30 September 2015.
Credit risk	
• Aligned credit origination strategies to the group's macroeconomic outlook with particular reference to consumer indebtedness, the rising interest rate cycle, low economic growth and a depressed commodity price cycle. • Assessed credit portfolio performance considering stressed scenarios to the group's outlook to confirm resilience of credit portfolios within risk appetite under stressed conditions. • Assessed adequacy of impairments given current economic conditions. • Conducted an impact analysis on initial expectations of migrating from IAS 39 to IFRS 9. • Established a group IFRS 9 steering committee and supporting work streams to discuss expected loss principles and associated modelling approaches. • Initiated implementation of amendments for revised affordability assessment criteria of the NCA. • Initiated implementation of directive 7/2015 requirements on restructured credit exposures.	• Continue to monitor the effect of economic conditions on consumer indebtedness, interest rates, growth and commodity prices. • Ongoing reviews to ensure alignment of bottom-up and top-down credit risk appetite assessments. • Continue to refine credit risk appetite approaches to inform the assessment of credit loss volatility. • Assess implications and reactions to potential revisions of regulatory prescribed maximum credit-related pricing (National Credit Regulatory (NCR) caps). • Focus on debt counselling trends as the South African consumer continues to experience strain on the back of low economic growth. • Refine the impact analysis, establish key principles and modelling approaches, and develop prototype models for the IFRS 9 project to inform appropriate validation requirements. • Continue to invest in people, systems and processes related to credit model risk management to ensure appropriate governance with increasing model complexity.

Year under review	Risk management focus areas
Counterparty credit risk	
• Focused on integrated assessment of credit, legal, liquidity and market risks of complex counterparty derivative portfolios. • Performed impact assessment of upcoming liquidity, margin and capital regulations on derivative portfolios. • Refined the counterparty credit risk stress testing methodology.	• Improve the group's internal counterparty credit risk exposure assessment methodology. • Refine the counterparty credit risk economic capital model.
Market risk	
Market risk in the trading book	
• Overall diversified levels of market risk have remained fairly low over the last few years with this trend continuing during the current year, and no significant concentrations in the portfolio. • Across the group, the only activities where an increase in market risk has been noted are in the subsidiaries in the rest of Africa, but these remain low in the context of the size of the group.	• Given the impending regulatory changes, and in particular the BCBS's consultative document, *Fundamental review of the trading book*, RMB is reviewing the current target operating platform for market risk, taking into account platform capabilities across both front office and risk areas and aligning market risk processes, analysis and reporting in line with these impending regulatory changes.
Interest rate risk in the banking book	
• The Monetary Policy Committee increased rates by 25 bps in July 2014. This has positively impacted the group's earnings given the endowment impact.	• The extent and timing of rate normalisation in South Africa is impacted by various global macroeconomic factors. The group continues to actively manage interest rate risk in the banking book (IRRBB). • The BCBS, through the task force for interest rate risk in the banking book, continues to investigate the possibility of a Pillar 1 charge. Ongoing developments are monitored.
Structural foreign exchange risk	
• Continued to strengthen principles regarding the management of foreign exchange positions and funding of the group's foreign entities. • Monitored net open forward positions in foreign exchange (NOFP) limits in each of the group's foreign entities.	• Continually assess and review the group's foreign exchange exposures and enhance the quality and frequency of reporting.
Equity investment risk	
• Limited equity investments were added to the portfolio during the year and volatility in the commodity markets resulted in some losses. • The RMB private equity unrealised reserves increased to R4.9 billion (2014: R3.9 billion) on the back of earnings growth, degearing in the underlying portfolio companies and an increase in valuation multiples where appropriate. • Ashburton Investments developed and launched two new funds and one local feeder fund during the year under review.	• The group will continue to focus on non-performing loans in the investment portfolio and realising value from the existing portfolio. • Ashburton Investments will continue to develop and launch new products and focus on improving its distribution capability.

Year under review	Risk management focus areas
Funding and liquidity risk	
• During the year under review, the deposit franchise grew 13% and the liquidity weighted average remaining term profile of institutional funding was extended to 31 months (2014: 27 months). • Innovative customer deposit products showed strong growth, supporting the group's strategy to grow its deposit franchise. • Available excess funding was allocated to liquidity resources, resulting in a significant increase in marketable instruments, in alignment with the group's strategy for LCR compliance.	• Continue to focus on the Basel III liquidity regime with emphasis on both funding and market liquidity risk management. • Further optimise and diversify the funding profile on a risk-adjusted basis in line with Basel III requirements for the LCR. • Continue to focus on growing the deposit franchise through innovative products and improve the risk profile of institutional funding. • Continue to optimise the market liquidity risk profile by developing execution platforms for additional funding sources. The bank's application for a committed liquidity facility (CLF) has been approved.
Operational risk	
• Increased use of the operational risk management system to obtain an integrated view of the group's operational risk profile. • Improved efficiency in the validation of the integrity and quality of operational risk management information. • Improved quality and value of key risk indicators and risk scenarios. • Improved understanding of risks and controls in key business processes through embedding process-based risk and control identification and assessments. • Streamlined operational risk governance reporting.	• Practical contingency plans to manage risks associated with the national electricity supply shortages. • Enhance the quality and coverage of process-based risk and control identification and assessments. • Refine scenario analysis and operational risk appetite setting process by appropriate linkages to risk mitigation plans. • Embed and automate key risk drivers in the application of risk assessment and management tools. • Continue to enhance risk measurement, capital calculation and allocation methods. • Deliver on actions for compliance with Basel principles for risk data aggregation and reporting.
Regulatory risk	
• The second draft of the Financial Sector Regulation Bill was published in March 2015. • The draft Financial Intelligence Centre Amendment Bill 2015 was published in April 2015. • Significant investments in systems, processes and resources were made to ensure compliance with anti-money laundering and combating the financing of terrorism (AML/CFT) legislation. • Substantial progress was made with remediation actions required in respect of matters identified by the SARB during its previous AML/CFT inspection.	• Continue to cooperate with regulatory authorities and other stakeholders. • Continue to make significant investment in people, systems and processes to manage risks emanating from the large number of new local and international regulatory requirements.

RISK APPETITE

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

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

RISK APPETITE STATEMENT

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

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

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

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

Risk capacity is the absolute maximum level of risk the group can technically assume given its current available financial resources, i.e. earnings and capital. The group views earnings as the primary defence against adverse outcomes. Risk capacity provides a reference for risk appetite and is not intended to be reached under any circumstances.

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

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

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

PROCESS FOR DETERMINING RISK APPETITE

Risk capacity

EARNINGS	CAPITAL

Filters

Strategic objectives and growth, return and volatility targets

Constraints based on stakeholder commitments

Risk appetite

QUANTITATIVE MEASURES

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

** Refers to a rating agency's measure of a bank's intrinsic creditworthiness before considering external factors and denotes the bank.*

QUALITATIVE PRINCIPLES

Always act with a fiduciary mindset.	Limit concentrations in risky asset classes or sectors.
Comply with prudential regulatory requirements.	Avoid reputational damage.
Comply with the spirit and intention of accounting and regulatory requirements.	Manage the business on a through-the-cycle basis to ensure sustainability.
Build and maintain a strong balance sheet which reflects conservatism and prudence across all disciplines.	Identify, measure, understand and manage the impact of downturn and stress conditions.
No risk taking without a deep understanding thereof.	Strive for operational excellence and responsible business conduct.
Comply with internal targets in various defined states to the required confidence interval.	Ensure the group's sources of income remain appropriately diversified across business lines, products, markets and regions.
No implementation of business models with excessive gearing through either on- or off-balance sheet leverage.	

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APPLICATION OF THE RISK/REWARD FRAMEWORK

Risk appetite, targets and limits are used to monitor the group's risk/reward profile on an ongoing basis. The risk/reward profile should be measured point-in-time and forward looking. Risk appetite should influence the business plans and inform risk taking activities and strategies in every business.

The group cascades overall appetite into targets and limits at risk type, franchise and subsequent activity level, and these represent the constraints the group imposes to ensure its commitments are attainable.

Management of risk is the responsibility of everybody across all levels of the organisation, supported through the three lines of control in the business performance and risk management framework.

The risk/reward framework provides for a structured approach to define risk appetite, targets and limits that apply to each key resource as well as the level of risk that can be assumed in this context. The framework drives the allocation of financial resources, including risk-taking capacity. Although different commitments are made to various stakeholders, these are monitored collectively.

STRESS TESTING AND SCENARIO PLANNING

INTRODUCTION AND OBJECTIVES

Stress testing and scenario planning are used to assess whether the desired risk appetite profile can be delivered within set constraints. The group employs a group-wide comprehensive, consistent and integrated approach to stress testing and scenario planning. This programme is a vital part of the annual planning, budgeting and forecasting process and directly informs capital buffers and dividend policy. It also informs the board of the impact of potential risks and management of the group's likely position, level of earnings, material risks and capital adequacy in the future.

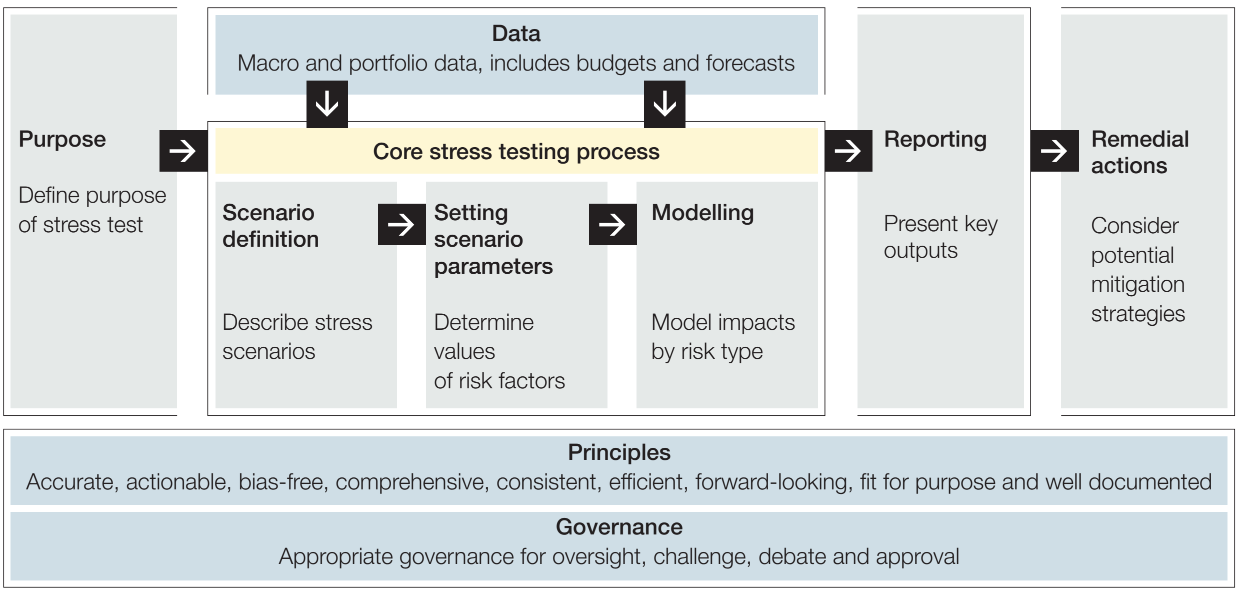
Stress testing and scenario analysis results are used to challenge and review certain of the group's risk appetite measures which will over time inform the basis of allocation of financial resources across franchises and business units. The programme includes all group and bank portfolios.

The group has also run a recovery plan process for a number of years and views this as an extension of the group's existing risk, capital management and business planning initiatives. Stress tests used in the recovery plan process are an extension of the existing stress testing programme and include both systemic and idiosyncratic dimensions and considers both slow and fast moving events. The results of group-wide stress tests are submitted to the SARB as part of the annual internal capital adequacy assessment process (ICAAP) and recovery plan process.

STRESS TESTING FRAMEWORK

The stress testing programme is supported by a comprehensive stress testing framework.

STRESS TESTING FRAMEWORK



The first step of the process is to determine the purpose of the stress test. Stress testing serves a variety of objectives, such as to inform business and strategic decisions or to meet a regulatory objective. The purpose then influences decisions regarding the severity and likelihood of scenarios, granularity of modelling and the type of reporting associated with the stress test. Inputs to the process include macroeconomic and internal bank-specific data as well as bottom-up financial budgets and forecasts.

Key risk factors not fully defined or captured during scenario definition are refined when scenario parameters are set. The impact of scenarios is modelled at individual material risk, balance sheet and income type level. Reporting of stress test results to various management and governance structures provides the basis by which management:

- interprets and debates scenarios and results; and
- considers and recommends remedial actions.

Scenario definition is primarily guided by the purpose of the stress test and is informed by a number of different dimensions, such as long or short term, single or multifactor, systemic or idiosyncratic, severe or less severe and historical or hypothetical. The group defines three types of scenarios in its stress testing process to ensure that all dimensions and aspects of stress testing are addressed. The following table describes the three types of scenarios and different dimensions considered.

SCENARIOS AND DIMENSIONS

Scenario characteristics	Dimensions
Macroeconomic scenarios	
• macroeconomic scenarios are defined in order to capture the effects of the real economy on the group's financial position, risk, liquidity and capital profile; • management's strategic and tactical decisions are based on their interpretation of the macroeconomic environment; and • scenarios range from the most likely scenario to an extreme, but plausible, scenario.	• long-term (three years); • hypothetical but informed by historic data; • systemic; • multifactor; and • range from non-severe to severe.
Event scenarios	
• risk-specific scenarios, not directly related to the economic environment; • complement macroeconomic scenarios and highlight linkages and contagion between risk types; • event scenarios aim to identify events that may: – have a reputational impact; – have secondary impacts, e.g. funding and liquidity; – highlight key aspects of the risk profile, e.g. concentrations; and – have a material impact.	• hypothetical; • single or multifactor; • idiosyncratic; and • range from non-severe to severe.
Reverse stress testing	
• can be a macroeconomic event or an event scenario or a combination of the two; • aimed at identifying the level of risk factors required to result in a loss of confidence in the group; and • the reverse stress testing methodology is also explored in the recovery plan process and used to indicate effectiveness of the group's recovery options.	• short or long term; • hypothetical; • idiosyncratic or systemic; • single- or multifactor; and • very severe.

A key characteristic of the stress testing programme is that the impact of scenarios is modelled at an individual material risk-balance sheet- and income stream level. Methodologies range from:

- scenario analyses, e.g. credit risk regression analysis; to
- sensitivity analyses, e.g. market risk stresses based on specific shocks.

Balance sheet, income streams and risk types are analysed at individual franchise level, with credit risk models built and maintained at a more granular level to include segment and asset class levels. Results of all stress tests are aggregated at the bank and group level.

ADDITIONAL STRESS TESTS

Franchises and business units regularly run additional *ad hoc* stress tests to assess changes impacting certain factors, including macroeconomic and risk parameter changes for risk, capital and financial planning purposes. The SARB has and will call for supervisory stress tests from time-to-time. FirstRand recently participated in the following supervisory stress tests:

- International Monetary Fund's financial stability assessment programme in May 2014; and
- SARB's assessment of a potential sovereign downgrade on the South African banking industry in June 2015.

RECOVERY AND RESOLUTION REGIME

FSB member countries are required to have recovery and resolution plans in place for all systemically significant financial institutions as per *Key Attributes of Effective Resolution Regimes*. The SARB has adopted this requirement and has, as part of the first phase, required South African domestically significant banking institutions to develop their own recovery plans. Improving the stability of the banking system by strengthening banks' ability to manage themselves through a potentially severe stress situation is of national importance. Guidance issued by the FSB and SARB has been incorporated into the group's comprehensive recovery plan.

Recovery planning

The purpose of the recovery plan is to document how the board and management of FirstRand, including its franchises and key subsidiary, FirstRand Bank, will recover from a severe stress event/scenario that threatens the group's commercial viability. The recovery plan:

- analyses the potential for severe stress in the group that causes material disruption to the South African financial system;
- identifies the type of stress event/s that would be necessary to trigger its activation;
- analyses how the group might potentially be affected by these event/s;
- lists a menu of potential recovery actions available to the board and management to counteract the event/s; and
- assesses how the group might recover from the event/s as a result of those actions.

The recovery plan forces the group to perform an extensive self-assessment exercise to determine if there are any potential idiosyncratic vulnerabilities that it may be exposed to, and then reconcile these exposures to its own risk appetite and strategy. Strategies to optimise the balance sheet structure and preserve the group's critical functions to support the recovery from a severe stress event with the least negative impact are considered. This process enables banks to better understand what functions are critical for its customers and for the financial system as well as which assets are most marketable to facilitate recovery. Where inefficiencies are identified, these can be amended to make the group more stream-lined, adaptable and resilient to stress.

To date, SARB has focused on bedding down the recovery plans for South African banks and FirstRand has submitted two annual recovery plans, the most recent in December 2014.

Resolution planning

The South African regulatory architecture is currently undergoing significant transformation in order to create a regulatory framework that will support an effective resolution regime. South Africa is in the process of adopting a twin peaks supervisory framework model that will reduce the number of agencies involved in supervision with the establishment of two new regulatory agencies: the Prudential Regulation Authority (PRA), in the SARB, and a market conduct authority that will replace the FSB.

The PRA/SARB will be responsible for bank resolution but the exact details of the legislative framework that will support the resolution regime and the resolution authorities' respective powers, are still being finalised. Initial outlines of the resulting resolution planning requirements for the South African systemically important banks were issued in a draft proposal in August 2015. These resolution plans will allow the SARB to plan for an event from which the group will be unable to recover. It is assumed, based on global best practice, that the resolution plan will be owned and maintained by SARB, but will require a significant amount of resolution data to be submitted by the individual banks.

RISK GOVERNANCE

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

RISK GOVERNANCE STRUCTURE

The risk management structure is set out in the group's business performance and risk management framework (BPRMF). As a policy of both the board and executive committee, it delineates the roles and responsibilities of key stakeholders in business, support and control functions across the various franchises and the group. The following diagram illustrates how the risk committees fit into the board committee structure. Other board committees also exist, with clearly defined responsibilities. One of these is the strategic executive committee, which ensures alignment of franchise strategies, sets risk appetite and is responsible for optimal deployment of the group's financial and non-financial resources.

RISK GOVERNANCE STRUCTURE

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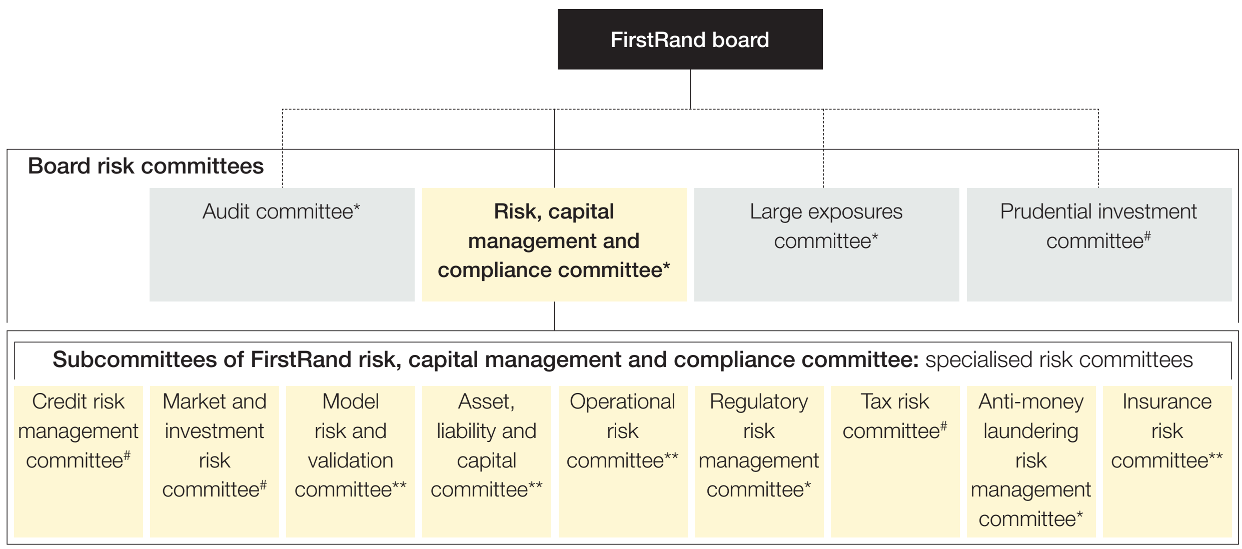

* *Chairman is an independent non-executive director.*

** *Chairman is a specialist consultant.*

\# *Chairman is a member of senior executive management. The credit risk management committee has non-executive board representation.*

The primary board committee overseeing risk matters across the group is the FirstRand risk, capital management and compliance (RCC) committee. It has delegated responsibility for a number of specialist topics to various subcommittees. The RCC committee submits its reports and findings to the board and highlights control issues to the audit committee.

The responsibilities of the board risk committees and RCC subcommittees are included in the following tables. Further detail on the roles and responsibilities of the RCC committee and its subcommittees relating to each particular risk type is provided in the major risk sections of this report.

RESPONSIBILITIES OF BOARD RISK COMMITTEES

Committee	Responsibility
Audit committee	▸ assists the board with its duties relating to the safeguarding of assets, operation of adequate systems and controls, assessment of going concern status and ensuring that relevant compliance and risk management processes are in place; ▸ ensures that a combined assurance model is applied to provide a coordinated approach to all assurance activities (by management, internal and external assurance providers); ▸ oversees and reviews work performed by external auditors and the internal audit function; and ▸ oversees financial risks and internal financial controls including the integrity, accuracy and completeness of the annual integrated report, which is provided to shareholders and other stakeholders.
Risk, capital management and compliance committee	▸ approves risk management policies, frameworks, strategies and processes; ▸ monitors containment of risk exposures within the risk appetite framework; ▸ reports assessment of the adequacy and effectiveness of the risk appetite, risk management, ICAAP and compliance processes to the board; ▸ monitors implementation of the risk management strategy and risk appetite limits, and the effectiveness of risk management; ▸ initiates and monitors corrective action, where appropriate; ▸ monitors that the group takes appropriate action to manage its regulatory and supervisory risks and complies with applicable laws, rules, codes and standards; ▸ approves regulatory capital models, risk and capital targets, limits and thresholds; and ▸ monitors capital adequacy and ensures that a sound capital management process exists.
Large exposures committee (LEC)	▸ approves credit applications or renewals in excess of 10% of the group's qualifying capital and reserves; and ▸ delegates the mandate for the approval of group and individual facilities to the FirstRand wholesale credit approval committee, commercial credit approval committee and the FirstRand retail credit policy, risk appetite committee and mandate approval (subcommittees of LEC), as appropriate.
Prudential investment committee (PIC)	▸ provides oversight to ensure that investment risk and transactions are carefully assessed prior to approval; and ▸ ensures investment exposures comply with group's prudential investment guidelines.

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RESPONSIBILITIES OF THE SUBCOMMITTEES OF THE RCC COMMITTEE

Committee	Responsibility
Credit risk management committee	• approves credit risk management and risk appetite policies as well as forward-looking credit risk indicators developed by the retail, commercial and corporate portfolio management; • provides independent analysis, evaluation and ongoing oversight of credit portfolio quality and performance relative to credit risk appetite thresholds; • monitors quality of the in-force business, business origination and underlying assets in the securitisation process; • monitors scenario and sensitivity analysis, stress tests, credit economic capital utilisation, credit pricing and credit concentrations; • ensures uniform interpretation of credit regulatory requirements and acceptable standards of credit reporting; • monitors corrective actions in terms of non-adherence to the credit risk management framework based on reports by Group Internal Audit (GIA) and reports to the RCC committee; and • reviews credit economic conditions outlook as described in the group's house view and ensures that business units align credit origination strategies accordingly.
Market and investment risk committee	• approves market and investment risk management policies, standards and processes; • monitors the effectiveness of market and investment risk management processes; • monitors the market and investment risk profile; and • approves market and investment risk-related limits.
Model risk and validation committee	• approves or recommends for approval by the RCC committee, all material aspects of model validation work including credit ratings and estimations, internal models for market risk and advanced measurement operational risk models for the regulatory capital calculations.
Asset, liability and capital committee (ALCCO)	• approves and monitors effectiveness of management policies, assumptions, limits and processes for liquidity and funding risk, capital and market risk in the banking book (interest rate risk, and foreign exchange and translation risk); • monitors the group's funding management; • provides governance and oversight of the level and composition of capital, and considers the supply and demand of capital across the group; • approves buffers over regulatory capital and monitors capital adequacy ratios; and • approves frameworks and policies relating to internal funds transfer pricing for the group.

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Committee	Responsibility
Operational risk committee (ORC)	- provides governance, oversight and coordination of relevant operational risk management practices and initiates corrective action, where required; - monitors the group and franchise operational risk profiles against operational risk appetite; - mandates FirstRand ORC to approve operational risk-related methodologies, processes, guidelines and relevant documentation; - reviews and recommends the group's operational risk appetite for approval by RCC committee; - approves the operational risk management framework and all its subpolicies/frameworks used in the management of the different operational risk classes, including fraud risk, legal risk, business resilience, information governance, information technology and physical security; - monitors the formal reports of the ORC subcommittees on the effectiveness of specific operational risk classes; - ensures the maintenance of an independent and appropriately skilled operational risk management function; - monitors the adequate and effective implementation of the operational risk management framework across the group and key corrective actions; and - reports on material operational risk items to the RCC committee.
Regulatory risk management committee	- approves regulatory risk management principles, frameworks, plans, policies and standards; and - monitors the effectiveness of regulatory risk management across the group and initiates corrective action where required.
Tax risk committee	- sets tax strategy and tax risk appetite; - approves the tax management frameworks and policies; and - monitors tax risk assessments and profiles, compliance tax risks, corrective actions and escalation to the RCC committee, where required.
Anti-money laundering risk management committee	- approves the AML risk management framework, policies and procedures; - monitors AML risk assessments, risk profile and compliance with relevant laws and regulations, and the adequacy of remedial actions; and - reports and makes recommendations to the RCC committee on AML/CTF matters.

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FRANCHISE RISK GOVERNANCE STRUCTURE

FNB audit committee	FNB risk and compliance committee	RMB audit committee	RMB proprietary board*	WesBank audit committee	WesBank risk and compliance committee	FCC audit, risk and compliance committee	Ashburton Investments audit, risk and compliance committee	FirstRand Life Assurance audit and risk committee**

* *The RMB proprietary board is the risk and regulatory committee for RMB.*

** *FirstRand Life Assurance is not a franchise of the group.*

Additional risk, audit and compliance committees exist in each franchise, the governance structures of which align closely with that of the group, as illustrated in the risk governance structure on page 151. The group board committees comprise members of franchise advisory boards, audit and risk committees to ensure a common understanding of the challenges businesses face and how these are addressed across the group. The franchise audit, risk and compliance committees support the board risk committees and RCC subcommittees in the third line of control across the group.

RISK GOVERNANCE FRAMEWORK

The group's BPRMF describes the group's approach to risk management. Effective risk management requires multiple points of control and safeguards that should be consistently applied at various levels throughout the organisation. There are three lines of control across the group's operations, which are recognised in the BPRMF. The following diagram illustrates the three lines of risk control.

LINES OF RISK CONTROL

FIRST LINE OF CONTROL

RISK OWNERSHIP

Risk inherent in business activities

Head of business
Reports to franchise CEOs

Group Treasury in FCC
Supports business owners, the board and executive committee

Franchise executive committees

→

BOARD

Strategic executive committee

- Group CEO
- Group deputy CEO
- Group CFO
- Franchise CEOs

Executive committee

- Franchise CEOs
- Group CRO
- RRM head
- Chief audit executive
- Group treasurer

SECOND LINE OF CONTROL

RISK CONTROL

Risk identification, measurement, control and independent oversight and monitoring

Enterprise Risk Management (ERM)
Head: Group CRO

Regulatory Risk Management (RRM)
RRM head represented on executive committee

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

Deployed franchise and segment risk managers

- Involved in all business decisions
- Represented at franchise executive committees

RCC committee

↑

Specialised risk committees | **Franchise risk committees**

↑

Franchise CROs
Report to franchise CEO and group CRO

THIRD LINE OF CONTROL

INDEPENDENT ASSURANCE

Adequacy and effectiveness of internal control, governance and risk management

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

External advisors

→

Audit committee

Franchise audit committees

The following table lists the responsibilities of the different business areas in the operating franchises and FCC in the lines of risk control.

RESPONSIBILITIES IN THE LINES OF RISK CONTROL

FIRST LINE

Heads of business

- act in accordance with mandates approved by the board or its delegated authority;
- identify, quantify and monitor key risks to business under normal and stress conditions;
- implement strategy within approved risk appetite parameters;
- design business processes to appropriately manage risk;
- ensure that board-approved risk policies, frameworks, standards, processes, methodologies and risk tools are implemented;
- specify and implement early warning measures, associated reporting, management and escalation processes through governance structures;
- implement risk mitigation and response strategies;
- implement timeous corrective actions and loss control measures as required; and
- ensure staff understand and implement responsibilities for risk management.

Group Treasury

- provides an integrated approach to financial resource management;
- optimises the group's portfolio to deliver sustainable returns within an acceptable level of risk;
- performs scenario analysis and stress testing;
- manages the group's liquidity, funding, interest rate risk and market risk in the banking book and foreign exchange mismatch;
- performs capital management and planning; and
- advises senior management on potential capital actions, dividend strategy and other capital management developments.

SECOND LINE

Deployed risk management

- supports management in identifying and quantifying key risks;
- ensures that board-approved risk policies, frameworks, standards, methodologies and tools are adhered to;
- approves design of business risk processes to ensure appropriate risk management;
- identifies process flaws and risk management issues and initiates and monitors corrective action;
- ensures timeous risk management and loss containment activities; and
- compiles, analyses and escalates risk reports on performance, risk exposures and corrective actions, through governance structures in appropriate format and frequency.

Enterprise Risk Management

- maintains the BPRMF and its ancillary risk frameworks, policies, standards and risk governance structures;
- develops and communicates risk management strategy and challenges risk profiles;
- monitors adequate and effective implementation of risk management processes;
- reports risk exposures and performance to management and governance structures;
- supports management with risk aspects of business decisions;
- ensures appropriate risk management skills and culture;
- performs risk measurement validation; and
- manages regulatory relationships for risk.

Regulatory Risk Management

- monitors that business practices, policies, frameworks and approaches are consistent with applicable laws and regulations.

Insurance control functions

- actuarial function provides assurance to the board regarding the appropriateness of the insurance liability assumptions and capital adequacy; and
- risk management and compliance conduct risk and compliance assessments and implement improvements.

THIRD LINE

Group Internal Audit

- monitors risk management infrastructure and practices;
- reviews the reliability and integrity of financial and operational information;
- reviews the significant systems established by management to ensure compliance with laws and regulations;
- reviews safeguarding and existence of assets;
- assesses whether resources are acquired economically and used efficiently and effectively;
- reviews operations or programmes for consistency with established goals and objectives;
- evaluates and assesses significant changes in functions, systems, services, processes, operations and controls;
- provides an assessment of the adequacy and effectiveness of the system of internal controls (including financial controls) and risk management to audit committee; and
- conducts work in accordance with international internal audit practices, and its activities are considered annually by external auditors.

COMBINED ASSURANCE

The audit committee oversees formal enterprise-wide governance structures for enhancing the practice of combined assurance at group and franchise levels. The primary objective is for the assurance providers to work together with management to deliver the appropriate assurance cost effectively. The assurance providers in this model include GIA, senior management, ERM, RRM and external auditors. The combined outcome of independent oversight, validation and audit tasks performed by the assurance providers ensure a high standard across methodological, operational and process components of the group's risk and financial resource management.

Combined assurance results in a more efficient assurance process through the elimination of duplication, more focused risk-based assurance against key control areas and heightened awareness of emerging issues, resulting in the implementation of appropriate preventative and corrective action plans.

REGULAR RISK REPORTING AND CHALLENGE OF CURRENT PRACTICES

As part of the reporting, interrogation and control process, ERM drives the implementation of more sophisticated risk assessment methodologies through the design of appropriate policies and processes, including the deployment of skilled risk management personnel in each of the franchises.

ERM and GIA ensure that all pertinent risk information is accurately captured, evaluated and escalated appropriately and timeously. This enables the board and its designated committees to retain effective control over the group's risk position.

RISK CULTURE

The group recognises that effective risk management requires the maintenance of an appropriate risk culture. ERM and the group's ethics office collaborate closely to identify and manage risk culture and the assessment methodologies conform to the *FSB framework for assessing risk culture* published in April 2014.

The group believes its risk culture is underpinned by the following:

- competent and ethical leadership in setting strategy, risk appetite and a positive attitude towards applying appropriate risk practices; and
- robust risk governance structures to ensure risk policy frameworks are visible and implemented, and that appropriate committee memberships and structures exist;
- best practice risk identification, measurement, monitoring, management and reporting;
- a broader organisational culture which drives appropriate business ethics practices and supports risk goals and which provides a balance between skills and ethical values and ensures accountability for performance.

The group has established very clear parameters to assess the risk rating of its culture. This is outlined in the following diagram.

RISK CULTURE ASSESSMENT FRAMEWORK

THEMES

- Ethical and competent leadership.
- Accurate and timely flow of information with appropriate disclosure.
- Ethical treatment of clients and ethical clients.

PARAMETERS

Tone from the top	Setting risk goals	Providing resources and sound platforms	Aligning measurement and rewards

ACTIVITIES

Tone from the top	Setting risk goals	Providing resources and sound platforms	Aligning measurement and rewards
• ensuring an ethical and competent leadership pipeline – recruitment promotion and dismissal; • management structures and forums that encourage openness; and • zero tolerance for unethical conduct or whistle-blower victimisation.	• ensure risk management goals policies and standards are set and communicated throughout the group; and • ensure that ethics and accountability to risk management parameters are acknowledged as important as efficiency, innovation and profit.	• ensure risk management goals are attainable by adequately staffing risk management functions; • apply fit and proper tests for key risk roles; and • embed risk controls in business platforms.	• ensure accurate and relevant performance metrics; and • ensure risk metrics are incorporated in the performance management framework.

BASIS OF PILLAR 3 DISCLOSURE

SARB APPROACHES TO CALCULATION OF RWA

The following approaches are adopted by the group for the calculation of RWA.

Risk type	FRB domestic operations	SARB approval date	Remaining FirstRand subsidiaries and FRB foreign operations	FRIHL entities
Credit risk	Advanced internal ratings-based (AIRB) approach and the standardised approach for certain portfolios	January 2008	Standardised approach	Standardised approach
Counterparty credit risk	Standardised method	May 2012	Current exposure method	Current exposure method
Market risk	Internal model approach	July 2007	Standardised approach	Standardised approach
Equity investment risk	Market-based approach: Simple risk-weighted method	June 2011	Market-based approach: Simple risk-weighted method	Market-based approach: Simple risk-weighted method
Operational risk*	Advanced measurement approach (AMA)	January 2009	The standardised approach (TSA)	Basic indicator approach (BIA), TSA, AMA
Other assets	Standardised approach	January 2008	Standardised approach	Standardised approach

* *All entities on the AMA and TSA for operational risk were included in the approval for use of AMA and TSA from January 2009; some entities were moved to FRIHL with a subsequent legal entity restructure. All other entities in FRIHL remain on the BIA approach.*

BASIS OF CONSOLIDATION

Consolidation of all group entities for accounting purposes is in accordance with IFRS and for regulatory purposes in accordance with the requirements of the Regulations. There are some differences in the manner in which entities are consolidated for accounting and regulatory purposes. The following table provides the basis on which the different types of entities are treated for regulatory purposes.

REGULATORY CONSOLIDATION TREATMENT

<table>
<tr><th rowspan="2">Shareholding</th><th colspan="3">Regulatory</th><th rowspan="2">IFRS</th></tr>
<tr><th>Banking, security firm, financial</th><th>Insurance†</th><th>Commercial</th></tr>
<tr><td>Less than 10%</td><td colspan="2">Aggregate of investments (CET1, AT1 and Tier 2):
• amount exceeding 10% CET1 capital – deduction against corresponding component of capital; and
• up to 10% – risk weight*.</td><td rowspan="2">Standardised approach:
• minimum risk weight of 100%.
Internal rating-based approach:
• maximum risk weight of 1250%.</td><td rowspan="2">Financial asset at fair value (held for trading, designated at fair value through profit or loss or available-for-sale). Where the substance of the transaction indicates that the group is able to exercise significant influence or joint control over the entity, equity accounting is applied.</td></tr>
<tr><td>Between 10% and 20%</td><td colspan="2">CET1 capital:
• individual investments in excess of 10% CET1 – deduction against CET1 capital; and
• individual investments up to 10% apply threshold rules**.
AT1 and Tier 2:
• deduct against corresponding component of capital.</td></tr>
<tr><td>Between 20% and 50%</td><td>Legal or de facto support (other significant shareholder):
• proportionately consolidate.
No other significant shareholder:
• apply threshold rules**.</td><td rowspan="2">• Apply deduction methodology, with 100% derecognition of IFRS NAV.
• Cost of investment subject to threshold rules**.</td><td rowspan="2">Standardised and internal rating based approach:
• individual investment greater than 15% of CET1, AT1 and Tier 2: risk weight at 1250%;
• individual investment up to 15% of CET1, AT1 and Tier 2: risk weight at no less than 100%; and
• aggregate of investments exceeding 60% of CET1, AT1 and Tier 2: excess risk weighted at 1250% (standardised only).</td><td>Equity accounted where the substance of the transaction indicates that the group has the ability to exercise significant influence or joint control, but does not control the entity.</td></tr>
<tr><td>Greater than 50%</td><td>Entity conducting trading activities/other bank, security firm or financial entity#:
• consolidate.</td><td>Consolidate, unless the substance of the transaction indicates that the group does not control the entity, in which case equity accounting would typically be applied.</td></tr>
</table>

* *Risk weighting based on nature of instrument and measurement approach.*

** *As per Regulation 38(5), investments are aggregated as part of threshold deductions (significant investments, mortgage servicing rights and deferred tax asset relating to temporary differences). Aggregate investments up to 15% are risk weighted at 250% and amounts exceeding 15% are deducted against CET1 capital.*

\# *Threshold rules would apply to financial entities acquired through realisation of security in respect of previously contracted debt (held temporarily), subject to materially different rules and regulations and non-consolidation required by law.*

† *Material wholly-owned insurance subsidiaries incorporated in South Africa include FirstRand Life Assurance Limited (2015: R65 million NAV) and FirstRand Insurance Services Company Limited (2015: R443 million NAV).*

NEW PILLAR 3 DISCLOSURE REQUIREMENTS

The BCBS issued revised Pillar 3 disclosure requirements in January 2015 to address shortcomings in Pillar 3 of the Basel framework. The revised disclosure requirements will enable market participants to better compare banks' RWA disclosures. These form part of the BCBS's broader agenda to reform regulatory standards for banks in response to the global financial crisis. The revisions focus on improving the transparency of the internal model-based approaches used by banks to calculate minimum regulatory capital requirements.

The revised requirements will take effect from the end of 2016 and supersede the existing Pillar 3 disclosure requirements. The most significant revisions are templates for quantitative disclosure and definitions, some with a fixed format. This aims to enhance comparability of banks' disclosures. FirstRand is in the process of ensuring compliance with these new disclosure requirements.

Basel III capital and leverage components

Directive 3/2015 (replaces directive 8/2013) and directive 4/2014 requires the following additional common disclosure in line with the Regulations:

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

Basel III LCR disclosure

The BCBS' *Liquidity coverage ratio disclosure standards* propose consistent and transparent disclosure of banks' liquidity positions as measured by the Basel III regulations. Directives 6/2014 and 11/2014 require the bank to provide its LCR disclosure in a standardised template.

Refer to www.firstrand.co.za/investorcentre/pages/commondisclosures.aspx for further detail on the capital, leverage and LCR common disclosure.

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

The main components of capital and leverage under Basel III are summarised below.

QUALIFYING CAPITAL AND LEVERAGE COMPONENTS

TOTAL QUALIFYING CAPITAL AND RESERVES

=

TIER 1 CAPITAL

CET1 CAPITAL

- share capital and premium;
- retained earnings (appropriated);
- other reserves; and
- non-controlling interests.

Deductions

- goodwill and intangibles;
- deferred tax assets (other than temporary differences);
- investment in own shares;
- shortfall of expected losses over provisions;
- cash flow hedging reserve; and
- investments in financial, banking and insurance institutions.

AT1 CAPITAL

- NCNR preference shares; and
- instruments issued out of consolidated subsidiaries to third parties.

Deductions

- investments in financial, banking and insurance institutions (AT1 instruments).

\+

TIER 2 CAPITAL

- subordinated debt instruments;
- general provisions under standardised approach;
- surplus of provisions over expected losses; and
- instruments issued out of consolidated subsidiaries to third parties.

Deductions

- investment in financial, banking and insurance institutions (Tier 2 instruments).

LEVERAGE

=

CAPITAL MEASURE

TIER 1 CAPITAL

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TOTAL EXPOSURE

- accounting value for on-balance sheet, non-derivative exposures (net of provisions):
  – no netting of loans and deposits;
- derivative exposures using the replacement cost and potential future exposure;
- securities financing transaction exposures including a measure of counterparty credit risk; and
- adjusted off-balance sheet exposures.

Note: The full deduction method is applied to insurance entities, i.e. NAV for insurance entities is derecognised from consolidated IFRS NAV.

STRATEGIC AND BUSINESS RISK

INTRODUCTION AND OBJECTIVES

Any business runs the risk of choosing an inappropriate strategy or failing to execute its strategy appropriately. The group aims to minimise this risk in the normal course of business.

ORGANISATIONAL STRUCTURE AND GOVERNANCE

The development and execution of business level strategy is the responsibility of the strategic executive committee and the individual business areas, subject to approval by the board. This includes the approval of any subsequent material changes to strategic plans, budgets, acquisitions, significant equity investments and new strategic alliances.

Business unit and group executive management, as well as Group Treasury and ERM review the external environment, industry trends, potential emerging risk factors, competitor actions and regulatory changes as part of strategic planning. Through this review, as well as regular scenario planning and stress-testing exercises, the risk to earnings and the level of potential business risks faced are assessed. Reports on the results of these exercises are discussed at various business, risk and board committees and are ultimately taken into account in the setting of risk appetite and potential revisions to existing strategic plans.

ASSESSMENT AND MANAGEMENT

STRATEGIC AND BUSINESS RISK COMPONENTS

1 Strategic risk

Risk to current or prospective earnings arising from inappropriate business decisions or the improper implementation of such decisions.

- Not a readily quantifiable risk.
- Not a risk that an organisation can or should hold a protective capital buffer against.

2 Business risk

Risk to earnings and capital from potential changes in the business environment, client behaviour and technological progress.

- Considered in the strategic planning process and as part of stress testing and scenario analyses.
- Group's objective is to develop and maintain a portfolio that delivers sustainable earnings and minimises the chance of adverse outcomes.

3 Volume and margin risk

Business risk is often associated with volume and margin risk, which relates to the group's ability to generate sufficient levels of revenue to offset its costs.

- Considered part of strategic planning.
- Assessed through the group's management and governance processes, and ICAAP.

4 Reputational risk

Risk of reputational damage due to compliance failures, pending litigations, underperformance or negative media coverage.

The group's business is one inherently built on trust and close relationships with its clients. Its reputation is, therefore, built on the way in which it conducts business and the group protects its reputation by managing and controlling risks across its operations.

- Reputational risk can arise from environmental and social issues or as a consequence of financial or operational risk events.
- The group seeks to avoid large risk concentrations by establishing a risk profile that is balanced within and across risk types.
- Potential reputational risks are also taken into account as part of stress-testing exercises.
- The group aims to establish a risk and earnings profile within the constraints of its risk appetite and seeks to limit potential stress losses from credit, market, liquidity or operational risks that may otherwise introduce an undesirable degree of volatility in its financial results and adversely affect its reputation.

5 Environmental and social risk

Relates to the environmental and social issues which impact the group's ability to successfully and sustainably implement business strategy.

- Formal governance processes for managing environmental and social risk that may affect the group's ability to successfully implement business strategy exist.
- Includes detailed environmental and social risk analysis (ESRA).

EQUATOR PRINCIPLES AND ENVIRONMENTAL AND SOCIAL RISK ANALYSIS

FirstRand has formally integrated environmental and social risk management processes into its credit risk governance process, which is supported by enterprise-wide social and ethics committee structures. These processes include the following key measures:

- defining requirements for environmental and social risk assessment and monitoring approved transactions;
- developing and communicating environmental and social performance standards that clients will be expected to meet within an acceptable timeframe; and
- defining environmental and social roles and responsibilities for both FirstRand and its clients.

FirstRand became an Equator Principles (EP) finance institution in July 2009. The application of EP forms part of ESRA, and is a specific framework for determining, assessing, and managing environmental and social risk in affected transactions.

During 2014/2015, areas of focus included the expansion of the ESRA process into the group's subsidiaries in the rest of Africa. The rollout of this process is expected to take place over a three-year period, with priority of roll-out determined by the size and maturity of the subsidiary. The National Environmental Management Waste Act 59 of 2008 (the Act): Part 8 was promulgated on 1 May 2014 and relates to the management of contaminated land. This portion of the Act has increased the group's focus on the valuation and securitisation of contaminated property and credit approval in lending transactions. FirstRand included, as an initial step in identifying contaminated land in all property-related transactions, a review of contaminated land risk indicators as part of the property valuation process.

ESRA TRANSACTION TYPE

Transaction type	Threshold amount after which an ESRA review is triggered
Project finance transactions	Total project capital costs at or above USD10 million: EP review. All category A (high risk) and B (medium risk) transactions with a total project capital cost of less than USD10 million: in-house ESRA review.
Project finance advisory	Total project capital costs at or above USD10 million: EP review.
Corporate loans	No threshold applied, all corporate loans: in-house ESRA review.
Corporate loans – project related	Total aggregate loan amount is at least USD100 million of which member banks' individual commitment (before syndication or sell down) is at least USD50 million and loan tenor is at least two years: EP review.
Bridge loans (subject to EP)	Bridge loans with a tenor of less than two years that are intended to be refinanced by project finance (at or above USD10 million): EP review.
Equity investment deals	No threshold applied, all equity investment deals: in-house ESRA review.
Affected commercial loans (including property finance)	No threshold applied, all property finance or property securitised loans: in-house ESRA review. Commercial loans (non-property related) – total facility amount above R7.5 million: in-house ESRA review.

ESRA review process

Specialist resources in the franchises serve as technical advisors to franchise senior management and employees involved with credit transactions and provide assessment, review, consultation and specialist advice on lending transactions.

Each of the group's operating franchises have formalised credit and compliance processes for ESRA implementation, with oversight provided by franchise social and ethics committees, risk and compliance officers, and credit committees throughout the group. The ESRA process is incorporated in the group credit risk management framework as an aspect of transaction risk management, and, in the FirstRand environmental sustainability risk framework (a subframework of the regulatory risk management framework), as an aspect of environmental and social risk management. Oversight is provided by RRM and franchise social and ethics committees. The ESRA review process is illustrated in the following chart.

ESRA REVIEW PROCESS

Deal origination →	Categorisation →	Environmental and social risk review →	Credit application →	Action plan →	Monitoring and evaluation
Deal identified and screened against an exclusion list	Deals categorised by project type, value and ESRA category	Environmental and social risk assessment informs in-house opinion	Credit application assessed	Action plan and covenants defined with client in line with legal documentation	Ongoing monitoring and evaluation against covenants and legal documents

In the event that a transaction is identified as being a high environmental or social risk, or an exception to the defined process, the transactor, franchise chief risk officer and franchise head of credit are informed through a formalised escalation process. Transaction approval is provided by the relevant franchise chief risk officer and head of credit and reported to the relevant quarterly franchise social and ethics committee for discussion and noting.

FirstRand has formal governance processes for managing environmental and social risks affecting the group's ability to successfully implement business strategy. These processes involve the integration of environmental and social information into the relevant sections of risk reports at group and franchise level. Tolerances and mitigating actions are defined at group and franchise level, and progress in respect of these is tracked through existing risk reporting structures. Provision is made for the escalation of significant environmental and social issues to the board via the executive, RCC and audit committees.

2015 EP performance

The group measures EP performance in line with the International Finance Corporation (IFC) performance standards as either category A (high risk), category B (medium risk) or category C (low to no risk), which are defined in the following table.

DEFINITION OF EP PERFORMANCE CATEGORIES

IFC/equator category	Risks/impacts
Category A (high risk)	Projects with potentially significant adverse social or environmental impacts that are diverse, irreversible or unprecedented. Issues relating to these risks may lead to work stoppages, legal authorisations being withdrawn and reputational damage. Examples could include projects involving the physical displacement of the natural environment or communities.
Category B (medium risk)	Projects with potentially limited adverse social or environmental impacts that are few in number, generally site specific, largely reversible and readily addressed through mitigation measures. Issues relating to these risks may lead to fines, penalties or legal non-compliance and reputational damage. Examples could include increased use of energy or increased atmospheric emissions.
Category C (low or no risk)	Projects with minimal or no social or environmental impacts.

EP transactions

The projects reported are the structured EP-defined deals, which were reviewed by in-house environmental and social risk specialists. All category A and B transactions were subjected to independent EP review to establish environmental and social risks of projects and have reached financial close during the year. Financial close is assumed when all conditions precedent to initial drawing of the debt have been satisfied or waived. EP reporting is externally assured for public disclosure by an independent third party as per the requirements set out by the EP association.

The number of EP transactions screened per industry categories and regions is provided in the following tables.

EP PROJECT FINANCE LOANS

	2015				2014			
Transactions per category	**Total**	**A high risk**	**B medium risk**	**C low risk**	**Total**	**A high risk**	**B medium risk**	**C low risk**
By sector*								
Mining	**1**	**1**	**–**	**–**	2	2	–	–
Infrastructure	**1**	**–**	**1**	**–**	1	–	–	1
Power	**1**	**–**	**1**	**–**	1	–	1	–
Renewable energy	**1**	**–**	**1**	**–**	2	–	2	–
Retail	**8**	**–**	**–**	**8**	8	–	–	8
By region*								
Asia Pacific	**2**	**1**	**1**	**–**	–	–	–	–
Europe, Middle East and Africa	**10**	**–**	**2**	**8**	14	2	3	9
By country designation**								
Designated	**1**	**1**	**–**	**–**	–	–	–	–
Non-designated	**11**	**–**	**3**	**8**	14	2	3	9
Independent review#								
Yes	**4**	**1**	**3**	**–**	5	2	3	–
No	**8**	**–**	**–**	**8**	9	–	–	9
By EP category								
Total number of EP transactions	**12**	**1**	**3**	**8**	14	2	3	9

* *No transactions in the oil and gas category or within the Americas reached financial close during 2014 and 2015.*

** *A designated country is a high income country as per the Organisation for Economic Cooperation and Development (OECD) country list.*

\# *An independent review is not required for category C projects.*

Project-related corporate loans

The following table includes the detail breakdown of project-related corporate loans per category split by sector, region, country designation, independent review and total transactions. Only one project-related corporate loan reached financial close during the year under review. Whilst there are more project-related corporate loans that were initiated during the 2014/2015 financial year, none of those reached financial close.

EP PROJECT-RELATED CORPORATE LOANS

	2015	
Transactions per category*	**Total**	**B medium risk**
By sector**		
Infrastructure	**1**	**1**
By region**		
Europe, Middle East and Africa	**1**	**1**
By country designation		
Designated[#]	**–**	**–**
Non-designated	**1**	**1**
Independent review		
Yes	**1**	**1**
Total by EP category	**1**	**1**

* *No transactions in category A (high risk) or category C (low risk) reached financial close during 2015.*

** *No transactions in the mining, oil and gas, power, renewable energy and retail sectors, or in the Americas or Asia Pacific regions reached financial close during 2015.*

[#] *A designated country is a high income country as per the OECD country list. No transactions in a designated country reached financial close during 2015.*

EP PROJECT FINANCE ADVISORY TRANSACTIONS

	2015			2014		
Transactions per category	**Total**	**A high risk**	**B medium risk**	**Total**	**A high risk**	**B medium risk**
By sector*						
Mining	**1**	**1**	**–**	1	1	–
Infrastructure	**1**	**–**	**1**	1	–	1
Renewable energy	**1**	**–**	**1**	1	–	1
By region*						
Europe, Middle East and Africa	**3**	**1**	**2**	3	1	2
Total by EP category	**3**	**1**	**2**	3	1	2

* *No transactions in the power, oil and gas and retail sectors, or in the Americas or Asia Pacific regions, or in category C (low risk) reached financial close during 2014 and 2015.*

ESRA process going forward

The group is currently in the seventh year of implementation of ESRA processes. Continued focus will be given to awareness training, effective application and continued improvement of the ESRA process.

CAPITAL MANAGEMENT

INTRODUCTION AND OBJECTIVES

The overall capital management objective is to maintain sound capital ratios and a strong credit rating to ensure confidence in the group's solvency and quality of capital during calm and turbulent periods in the economy and financial markets. The group, therefore, maintains capitalisation ratios aligned to its risk appetite and appropriate to safeguard operations and stakeholder interests.

The group focuses on the following areas to safeguard operations and stakeholder interests.

KEY FOCUS AREAS AND CONSIDERATIONS

Optimal level and composition of capital

Determined after taking into account:

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

Effective allocation of resources (including capital and risk capacity)

- aligned to risk appetite to maximise value for shareholders.

Limited excesses above targets

- medium-term growth plans and future regulatory changes considered.

Dividend policy included in overall capital plan

- sustainable dividend cover based on sustainable normalised earnings; and
- dividend policy caters for the following factors:
  - volatile earnings brought on by fair value accounting;
  - anticipated earnings yield on capital employed;
  - organic growth requirements;
  - safety margin for unexpected fluctuations in business plans; and
  - current target range (1.8 x to 2.2 x) to protect shareholders from any unnecessary volatility in dividends.
- annual assessment of appropriate level considers the following inputs:
  - actual performance;
  - forward-looking macroeconomic scenarios;
  - demand for capital; and
  - potential regulatory and accounting changes.

CAPITAL ADEQUACY AND PLANNING

Year 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 group remains appropriately capitalised under a range of normal and severe scenarios (including stress events), which includes ongoing regulatory developments, expansion initiatives and corporate transactions. The final Basel III leverage framework was implemented in 2014 and greater emphasis has been placed on monitoring leverage for the group.

FirstRand comfortably operated above its capital and leverage targets during the year under review. The following table summarises the group's capital and leverage ratios at 30 June 2015.

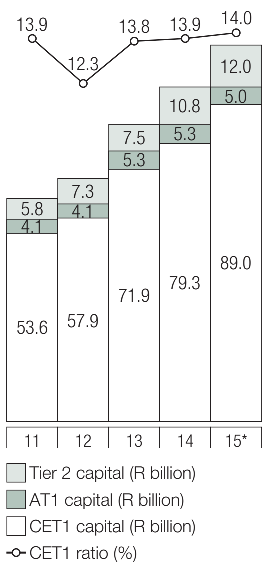
CAPITAL ADEQUACY AND LEVERAGE POSITION

	Capital			Leverage
%	**CET1**	**Tier 1**	**Total**	**Total**
Regulatory minimum*	**6.5**	**8.0**	**10.0**	**4.0**
Target	**10.0 – 11.0**	**>12.0**	**>14.0**	**>5.0**
Actual				
Excluding unappropriated profits	**13.0**	**13.8**	**15.7**	**7.8**
Including unappropriated profits	**14.0**	**14.8**	**16.7**	**8.4**

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

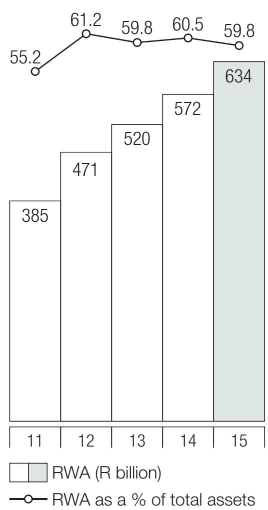
The following graphs show the historical overview of capital adequacy and RWA for FirstRand.

CAPITAL ADEQUACY



* *Includes unappropriated profits.*

RWA HISTORY



REGULATORY UPDATE

The BCBS issued a number of consultative documents during the year under review. These papers are at different stages of testing, finalisation and implementation, and will be incorporated in the BCBS quantitative impact studies. The group continues to participate in the quantitative impact studies to assess and incorporate, where relevant, the effect of these standards. The following table summarises the proposals that may impact the group's capital levels.

SUMMARY OF CONSULTATIVE DOCUMENTS

	Objectives	Impact assessment
Revised standardised approaches for credit and operational risk	• Reduced variability in RWA and increased risk sensitivity.	• Impact not yet quantified. • Incorporated in the December 2014 BCBS quantitative impact study.
Capital floor based on standardised approaches for internal ratings based accredited banks	• Address variability in capital ratios for banks using internal ratings based approaches. • Enhanced comparability across jurisdictions.	• Impact not yet quantified. • Proposed calibration and implementation timeline not clarified.
Interest rate risk in the banking book	• Appropriate capital to cover potential losses from exposure to changes in interest rates. • Limit capital arbitrage between trading and banking book.	• Impact not yet quantified. • Incorporated in the June 2015 BCBS quantitative impact study. • Two possible options: – Pillar 1 approach (minimum capital requirement); or – enhanced Pillar 2 approach.
Principles on loss absorbing and recapitalisation capacity of G-SIBs	• Developed in consultation with BCBS. • Forms a new minimum standard for total loss absorbing capacity and composition of a bank's capital structure.	• Discussion document issued for comment.

The National Treasury, SARB and FSB published for public comment a discussion document, *Strengthening South Africa's Resolution Framework for Financial Institutions*. Comments on the paper are due by 30 September 2015.

Internal capital adequacy assessment process

ICAAP is key to the group's risk and capital management processes as it is an integral tool in meeting the capital management objectives of the group. ICAAP allows and facilitates:

- the link between business strategy, risk introduced and capital required to support the strategy;
- embedding of a responsible risk culture at all levels in the organisation;
- effective allocation and management of capital in the organisation;
- development of recognised stress tests to provide useful information, which serve as early warnings/triggers, so that contingency plans can be implemented;
- determination of the capital management strategy and how the group will manage its capital during business as usual and periods of stress; and
- the capital plan.

The board-approved capital plan is annually reviewed as part of the group's ICAAP, with the stress-testing framework an extension of the process. ICAAP assists in the allocation of capital in proportion to risks inherent in the various businesses with reference to normal economic circumstances and times of potential stress, which may lead to the emergence of risks not previously considered. These processes are under continuous review and refinement, and continue to inform the targeted buffer over the minimum capital requirement.

The group aims to back all economic risk with loss absorbing capital and remains well capitalised in the current environment. The group continues to refine its approach to economic capital used across the group which includes strategic capital planning, risk measurement and portfolio management.

COMPOSITION OF CAPITAL

Supply of capital

The following tables summarise FirstRand's qualifying capital components and an analysis of year-on-year movements.

COMPOSITION OF CAPITAL ANALYSIS

R million	CET1 capital	Tier 1 capital	Total qualifying capital
2015 – excluding unappropriated profits	**82 516**	**87 563**	**99 563**
2015 – including unappropriated profits	**88 961**	**94 008**	**106 008**
2014*	79 344	84 647	95 368

* *All profits were appropriated at 30 June 2014.*

Movement

CET1	AT1	Tier 2
↑	↓	↑
• Share capital issuance relating to BEE deal. • Internal capital generation through earnings.	• Additional haircut on non-compliant Basel III NCNR preference shares partly offset by movement in third party capital.	• Issuance of Basel III compliant subordinated debt instrument (FRB15 – R2.0 billion) in March 2015. • Redemption of FRB03 old-style Tier 2 instrument (R1.7 billion) in September 2014. • Additional haircut on non-compliant Basel III Tier 2 instruments.

Demand for capital

The following table provides the breakdown of FirstRand's RWA per risk type as per current SARB regulations.

RWA AND CAPITAL REQUIREMENTS

	FirstRand				
	2015				2014
	RWA				
R million	Advanced approach	Other approaches*	Total	Capital requirement**	RWA#
Credit risk	**339 551**	**104 933**	**444 484**	**44 448**	398 160
– Corporate, banks and sovereigns	**147 683**	**26 474**	**174 157**	**17 416**	156 265
– Small and medium enterprises (SMEs)	**46 313**	**25 933**	**72 246**	**7 224**	61 846
– Residential mortgages	**51 745**	**6 973**	**58 718**	**5 872**	53 737
– Qualifying revolving retail	**22 082**	**4 548**	**26 630**	**2 663**	20 250
– Other retail	**66 627**	**21 221**	**87 848**	**8 785**	81 920
– Securitisation exposure	**5 101**	**14 988**	**20 089**	**2 009**	16 386
– Other	**–**	**4 796**	**4 796**	**479**	7 756
Counterparty credit risk (excluding default risk)	**–**	**7 547**	**7 547**	**755**	1 317
Total credit risk	**339 551**	**112 480**	**452 031**	**45 203**	399 477
Operational risk	**75 049**	**25 280**	**100 329**	**10 033**	93 613
Market risk	**9 320**	**3 051**	**12 371**	**1 237**	13 118
Equity investment risk	**31 951**	**–**	**31 951**	**3 195**	34 128
Other assets†	**–**	**37 148**	**37 148**	**3 715**	32 110
Total RWA	**455 871**	**177 959**	**633 830**	**63 383**	572 446

* *Includes the standardised and current exposure method for counterparty credit risk and BIA for operational risk.*

** *Capital requirement calculated at 10% of RWA (excluding the bank-specific individual capital requirement).*

Comparatives restated to reclassify securitisation and intragroup exposures from other assets category.

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

The following table analyses year-on-year movements.

RWA ANALYSIS

Risk type	Key drivers
Credit risk	↑ organic growth, model recalibrations and regulatory refinement.
Counterparty credit risk	↑ primarily a result of the withdrawal of the credit valuation adjustment (CVA) exemption for ZAR and local counterparty over-the-counter (OTC) derivatives.
Operational risk	↑ recalibration of risk scenarios; increase in gross income for entities on standardised approach; and capital floor add-on for difference between AMA and standardised approaches.
Market risk	↓ volume and mark-to-market movements; and refinement to internal and regulatory methodologies.
Equity investment risk	↓ disposals of investments and fair value adjustments.
Other risks*	↑ increase in assets subject to 250% risk weighting; and increase in property and equipment.

* *Includes investment in financial, banking and insurance entities, and deferred tax assets risk weighted at 250%.*

RWA and capital adequacy positions for the group, its regulated subsidiaries and the bank's foreign branches

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

The RWA and capital adequacy positions of FirstRand, its regulated subsidiaries and the bank's foreign branches are set out below.

RWA AND CAPITAL ADEQUACY POSITIONS OF FIRSTRAND, ITS REGULATED SUBSIDIARIES AND THE BANK'S FOREIGN BRANCHES

	For the year ended 30 June			
	2015			2014
	RWA R million	Tier 1 %	Total capital adequacy %	Total capital adequacy %
Basel III				
FirstRand*	**633 830**	**14.8**	**16.7**	16.7
FirstRand Bank South Africa*	**473 412**	**14.8**	**16.7**	16.1
FirstRand Bank London	**29 588**	**8.8**	**16.1**	19.0
FirstRand Bank India	**1 797**	**39.0**	**39.5**	31.8
Basel II (local regulations)				
FNB Namibia	**21 895**	**14.1**	**17.0**	17.1
FNB Mozambique	**3 000**	**9.9**	**10.3**	8.2
Basel I (local regulations)				
FNB Botswana	**15 423**	**16.5**	**19.0**	18.3
FNB Swaziland	**2 446**	**21.4**	**22.6**	22.3
FNB Lesotho	**724**	**15.2**	**18.7**	17.7
FNB Zambia	**4 229**	**19.7**	**24.1**	31.9
FNB Tanzania	**725**	**29.8**	**31.3**	>100
RMB Nigeria	**1 375**	**86.1**	**86.1**	>100

* *Includes unappropriated profits.*

Directive 3/2015 (replaces directive 8/2013) and directive 4/2014 (leverage) requires the following additional common disclosure in line with the Regulations.

- 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 page 161 for a link to the disclosure on the group's website.

CREDIT RISK

INTRODUCTION AND OBJECTIVES

Credit risk is the risk of loss due to the non-performance of a counterparty in respect of any financial or other obligation. For fair value portfolios, the definition of credit risk is expanded to include the risk of losses through fair value changes arising from changes in credit spreads. Credit risk also includes credit default risk, pre-settlement risk, country risk, concentration risk and securitisation risk.

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

Credit risk is one of the core risks assumed as part of achieving the group's business objectives. It is the most significant risk type in terms of regulatory and economic capital requirements. Credit risk management objectives are two-fold:

Risk control: Appropriate limits are placed on the assumption of credit risk and steps taken to ensure the accuracy of credit risk assessments and reports. Deployed and central credit risk management teams fulfil this task.

Management: Credit risk is taken within the constraints of the risk appetite framework. The credit portfolio is managed at an aggregate level to optimise the exposure to this risk. Business units and deployed risk functions, overseen by the group credit risk management function in ERM and relevant board committees, fulfil this role.

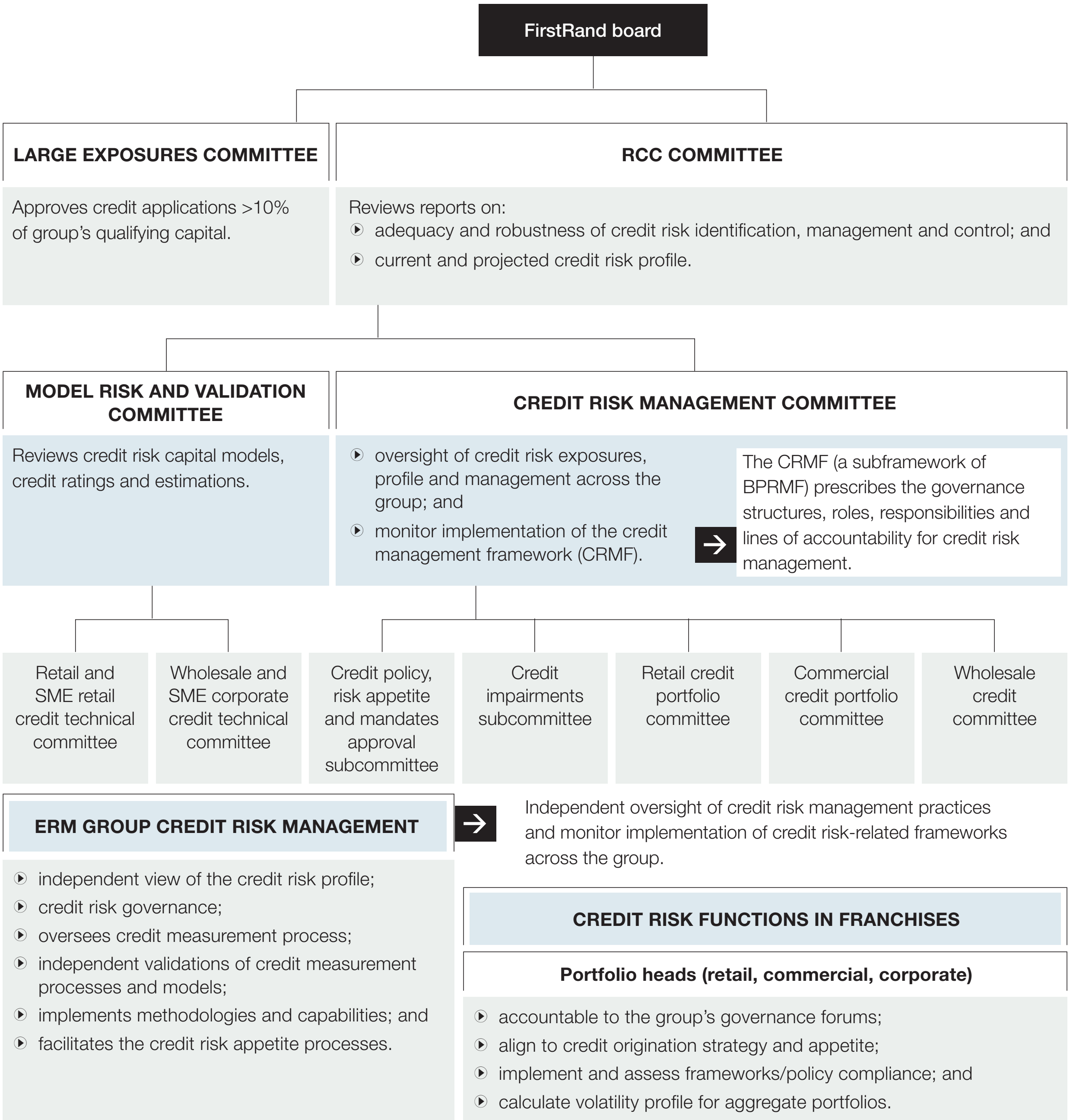
Based on the group's credit risk appetite, as measured on a ROE, NIACC and volatility-of-earnings basis, credit risk management principles include holding the appropriate level of capital and pricing for risk on an individual and portfolio basis. The scope of credit risk identification and management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

Credit risk is managed through the implementation of comprehensive policies, processes and controls to ensure a sound credit risk management environment with appropriate credit granting, administration, measurement, monitoring and reporting of credit risk exposure.

Credit risk management across the group is split into three distinct portfolios: retail, commercial and corporate. These portfolios are aligned to customer profiles. Retail credit is offered by FNB and WesBank to individuals and SMEs with a turnover of up to R7.5 million. Commercial credit focuses on relationship banking offered by FNB and WesBank to companies that are mainly single-banked and corporate credit is offered by RMB to large corporate multi-banked customers. As advances are split across the operating franchises, default risk is allocated to the income-receiving portfolio.

ORGANISATIONAL STRUCTURE AND GOVERNANCE

CREDIT RISK GOVERNANCE STRUCTURE



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ASSESSMENT AND MANAGEMENT

Calculation of internal ratings and rating process

The assessment of credit risk across the group relies on internally-developed quantitative models for addressing regulatory and business needs.

Credit risk models are widely employed in the assessment of capital requirements, origination, pricing, impairment calculations and stress testing of the credit portfolio. All of these models are built on a number of client and facility rating models, in line with the SARB AIRB approach requirements and the group's model building frameworks. The credit risk approaches across the group are shown in the following table.

Basel approach	FirstRand Bank SA	Remaining FirstRand entities
AIRB	✓	
Standardised approach		✓

Even though the remaining entities do not have regulatory approval to use the AIRB approach, the same or similar models are applied for the internal assessment of credit risk on the standardised approach. The models are used for the internal assessment of the three primary credit risk components:

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

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

Probability of default	
Definition	The probability of a counterparty defaulting on any of its obligations over the next 12 months and is a measure of the counterparty's ability and willingness to repay facilities granted.
Dimensions	Time-driven: counterparty is in arrears for more than 90 days or three instalments. Event-driven: there is reason to believe that the exposure will not be recovered in full and has been classified as such.
Application	• All credit portfolios. • Recognition of NPLs for accounting.
PD measures	• Through-the-cycle (TTC) PD measures reflect long-term, average default expectations over the course of the economic cycle. TTC PDs are inputs in economic and regulatory capital calculations. • Point-in-time (PIT) PD measures reflect default expectations in the current economic environment and thus tend to be more volatile than TTC PDs. PIT PDs are used in credit portfolio management, including risk appetite and portfolio monitoring.
Measure application	Management of credit risk exposure.

The group employs a granular, 100-point master rating scale, which has been mapped to the continuum of default probabilities, as illustrated in the following table. These mappings are reviewed and updated on a regular basis.

MAPPING OF FIRSTRAND (FR) GRADES TO RATING AGENCY SCALES

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

* *Indicative mapping to the international rating scales of Standard & Poor's. The group currently only uses mapping to Standard & Poor's rating scales.*

- FR 1 is the lowest PD and FR 100 the highest.
- External ratings have also been mapped to the master rating scale for reporting purposes.

Exposure at default	
Definition	The expected exposure to a counterparty through a facility should the counterparty default over the next 12 months. It reflects commitments made and facilities granted that have not been paid out and that may be drawn over the period under consideration (i.e. off-balance sheet exposures). It's also a measure of potential future exposure on derivative positions.
Application	A number of EAD models, which are tailored to the respective portfolios and products employed, are in use across the group. These have been developed internally and are calibrated to historical default experience.

Loss given default	
Definition	The economic loss on a particular facility upon default of the counterparty is expressed as a percentage of exposure outstanding at the time of default.
Dependent on	• Type, quality and level of subordination. • Value of collateral held compared to the size of overall exposure. • Effectiveness of the recovery process and timing of cash flows received during the workout or restructuring process.
Application	• All credit portfolios. • Recognition of NPLs for accounting.
Distinctions	Long-run expected LGDs (long-run LGDs).
	LGDs reflective of downturn conditions include: • more conservative assessment of risk, which incorporates a degree of interdependence between PD and LGD that can be found in a number of portfolios, e.g. instances where deteriorating collateral values are also indicative of higher default risk; and • used in the calculation of regulatory capital estimates.

Expected loss (EL)

EL, the product of the primary risk measures PD, EAD and LGD, is a forward-looking measure of portfolio or transaction risk. It is used for a variety of purposes along with other risk measures. EL is not directly comparable to impairment levels, as EL calculations are based on regulatory parameters, TTC PD and downturn LGD, whilst impairment calculations are driven by IFRS requirements.

Rating process

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

CREDIT PORTFOLIO RATING PROCESS

Portfolio and type of exposures	Description of rating system
Large corporate portfolios (Corporate: RMB, WesBank corporate and FCC) Exposures to private sector counterparties including corporates and securities firms, and public sector counterparties. A wide range of products give rise to credit exposure, including loan facilities, structured finance facilities, contingent products and derivative instruments.	Default definitions applied in rating systems are aligned to the Regulations. **Rating process:** • rating assignment to corporate credit counterparties is based on a detailed individual assessment of the counterparty's creditworthiness; • this assessment is performed through a quantitative and qualitative analysis of the counterparty's business and financial risks and is supplemented by internally-developed statistical rating models; • rating models were developed using internal and external data covering more than ten years. Qualitative analysis is based on the methodology followed by international rating agencies; • the rating assessment is reviewed by the wholesale credit committee or delegated subcommittee and the rating (and associated PD) is approved by these committees; • no overrides of ratings or PDs are possible after approval by these committees; and • LGD and EAD estimates are based on modelling a combination of internal and suitably adjusted international data with the same committee process responsible for reviewing and approving these measures.
Low default portfolios: sovereign and bank exposures (Corporate: RMB and FCC) Exposures to sovereign and bank counterparties.	Default definitions applied in rating systems are aligned to the Regulations. **Rating process:** • expert judgement models are used in combination with external rating agency ratings as well as structured peer group analyses which form a key input in the ratings process. The analysis is supplemented by internally-developed statistical models; • the calibration of PD and LGD ratings is based on a mapping to external default data as well as credit spread market data; • the rating assessment is reviewed by the wholesale credit committee or delegated subcommittee and the rating (as well as the associated PD) is approved by these committees; and • no overrides of ratings or PDs are possible after approval by these committees.

Portfolio and type of exposures	Description of rating system
Specialised lending portfolios (Corporate: RMB, FNB commercial and wealth (RMB Private Bank and FNB Private Wealth)) Exposures to private-sector counterparties for the financing of income-producing real estate.	Default definitions applied in rating systems are aligned to the Regulations. **Rating process:** • rating system is based on hybrid models using a combination of statistical cash flow simulation models and qualitative scorecards calibrated to a combination of internal data and external benchmarks; • the rating assessment is reviewed by the wholesale credit committee, commercial credit committee or delegated subcommittee and the rating (as well as the associated PD) is approved by these committees; and • no overrides of the ratings or the PDs are possible after approval by these committees.
Commercial portfolio (SME corporate and SME retail counterparties in FNB commercial and WesBank) Exposures to SME clients. A wide range of products give rise to credit exposure, including loan facilities, contingent products and term lending products.	Default definitions applied in rating systems are aligned to the Regulations. **SME retail rating process:** • SME retail portfolio is segmented into homogeneous pools and subpools through an automated scoring process using statistical models that incorporate product type, customer behaviour and delinquency status; • PDs are estimated for each subpool based on internal product level history associated with the respective homogeneous pools and subpools; and • LGD and EAD estimates are applied on a portfolio level, estimated from internal historical default and recovery experience. **SME corporate rating process:** • PD: Counterparties are scored using Moody's RiskCalc™ in addition to other internal risk drivers, the output of which is calibrated to internal historical default data; • LGD: Recovery rates are largely determined by collateral type and these have been set with reference to internal historical loss data, external data (Fitch Ratings) and Basel guidelines; and • EAD: Portfolio level credit conversion factors are estimated on the basis of the group's internal historical experience and benchmarked against international studies.

Portfolio and type of exposures	Description of rating system
Residential mortgages (FNB HomeLoans, FNB housing finance and wealth (RMB Private Bank and FNB Private Wealth)) Exposures to individuals for the financing of residential properties.	Default definition applied in rating systems is aligned to the Regulations. **Rating process and approach:** • retail portfolios are segmented into homogeneous pools and subpools through an automated scoring process using statistical models that incorporate product type, loan characteristics, customer behaviour, application data and delinquency status; • PDs are estimated for each subpool based on internal product level history associated with the respective homogeneous pools and subpools; • no overrides of the PDs are possible. The only potential override is not that of the PD, but rather of the automated decision to lend or not. Such overrides may be done on the basis of the credit manager's judgement in a structured process supported by valid business reasons; and • LGD and EAD estimates are based on subsegmentation with reference to the collateral or product type as well as associated analyses and modelling of historical internal loss data. **Additional notes on qualifying revolving retail exposures:** • as these exposures are unsecured, only the efficiency of recovery processes impacts on the level of LGD; and • EAD measurement plays a significant role in the assessment of risk due to the typically high level of undrawn facilities characteristic of these product types. EAD estimates are based on actual historic EAD, segmented appropriately e.g. straight *versus* budget in the case of credit cards.
Qualifying revolving retail exposures (FNB card, FNB value banking solutions and wealth) Exposures to individuals providing a revolving limit through a credit card or overdraft facility.	
Other exposures (FNB personal loans, WesBank vehicle and asset finance (VAF) and WesBank personal loans)	

Model validation

Rating models are recalibrated and independently validated on an annual basis to ensure validity, efficacy and accuracy. Rating models across portfolios incorporate an appropriate degree of conservatism, achieved through prudent choice of model parameters and inclusion in the calibration of downturn periods such as 2001 and 2007 to 2009.

Independent validation of rating systems is carried out by the group credit risk management function in ERM. It is responsible for reviewing all rating systems and an annual comprehensive revalidation of all material rating systems. The model risk audit team in GIA carries out sample revalidations of rating systems. The results of these reviews are reported to and approved by the model risk and validation committee and RCC committee, depending on materiality. As part of this process, extensive documentation covering all steps of the model development lifecycle from inception through to validation is maintained, including:

- developmental evidence, detailing processes followed and data used to set parameters for the model. These documents are updated at least annually by the model development teams;
- independent validation reports, documenting the process followed during the annual validation exercise and results obtained from these analyses; and
- model build and development frameworks, which are reviewed and, where required, updated annually. These frameworks provide guidance, principles and minimum standards which model development teams are required to adhere to.

Credit risk mitigation

Since taking and managing credit risk is core to its business, the group aims to optimise the amount of credit risk it takes to achieve its return objectives. Mitigation of credit risk is an important component of this, beginning with the structuring and approval of facilities for only those clients and within those parameters that fall within risk appetite.

Although, in principle, credit assessment focuses on the counterparty's ability to repay the debt, credit mitigation instruments are used where appropriate to reduce the group's lending risk, resulting in security against the majority of exposures. These include financial or other collateral, netting agreements, guarantees or credit derivatives. The collateral types are driven by portfolio, product or counterparty type:

- mortgage and instalment sale finance portfolios in FNB HomeLoans, FNB wealth and WesBank are secured by the underlying assets financed;
- personal loans, overdrafts and credit card exposures are generally unsecured or secured by guarantees and sureties;
- FNB commercial credit exposures are secured by the assets of the SME counterparties and commercial property finance deals are secured by the underlying property and associated cash flows;
- working capital facilities in RMB corporate banking are unsecured;
- structured facilities in RMB are secured as part of the structure through financial or other collateral, including guarantees, credit derivative instruments and assets; and
- credit risk in RMB is mitigated through the use of netting agreements and financial collateral.

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The group employs strict policies governing the valuation and management of collateral across all business areas. Collateral is managed internally to ensure that title is retained over collateral taken over the life of the transaction. Collateral is valued at inception of the credit agreement and subsequently where necessary through physical inspection or index valuation methods. For corporate and commercial counterparties, collateral is reassessed during the annual review of the counterparty's creditworthiness to ensure that proper title is retained over collateral. For mortgage portfolios, collateral is revalued on an ongoing basis using an index model and physical inspection is performed in the event of default at the beginning of the recovery process.

Concentrations within credit risk mitigation types, such as property, are monitored and managed in the three credit portfolios. FNB HomeLoans, housing finance and wealth monitor exposure to a number of geographical areas, as well as within loan-to-value bands.

Collateral is taken into account for capital calculation purposes through the determination of LGD. Collateral reduces LGD, and LGD levels are determined through statistical modelling techniques based on historical experience of the recovery processes.

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Monitoring of weak exposures

Credit exposures are actively monitored throughout the life of transactions. Portfolios are formally reviewed by portfolio committees either monthly or quarterly to assess levels of individual counterparty risk, portfolio risks and to act on any early warning indicators. The performance and financial condition of borrowers are monitored based on information from internal sources, credit bureaux, borrowers and publicly-available information. The frequency of monitoring and contact with the borrower is determined from the borrower's risk profile. Reports on the overall quality of the portfolio are monitored at business unit level, portfolio level and in aggregate for the group.

Use of credit risk measures

The following credit risk management actions and measures are used extensively in the group's credit risk processes:

- credit approval;
- pricing;
- limit setting/risk appetite;
- reporting;
- provisioning;
- capital calculations and allocation;
- profitability analysis;
- stress testing;
- risk management and credit monitoring; and
- performance measurement.

The following table describes the use of credit risk actions and measures across a number of key areas and business processes related to the management of the credit portfolio.

USE OF CREDIT RISK MANAGEMENT ACTIONS AND MEASURES IN THE CREDIT LIFECYCLE

	Corporate	Retail
Determination of portfolio and client acquisition strategy	• assessment of overall portfolio credit risk determined by PD, EAD and LGD; and • acquisition and overall strategy set in terms of appropriate limits and group risk appetite.	• same measures as for corporate; and • credit models determine loss thresholds used in setting of credit risk appetite.
Determination of individual and portfolio limits	• industry and geographical concentrations; • ratings; • risk-related limits on the composition of portfolio; and • group credit risk appetite.	• same measures as for corporate; and • modelled *versus* actual experience is evaluated in setting of risk appetite.
Profitability analysis and pricing decisions	• PD, EAD and LGD used to determine pricing; and • economic profit used for profitability.	• same measures as for corporate.
Credit approval	• consideration of application's ratings; • credit risk appetite limits; and • projected risk-adjusted return on economic capital (PD, EAD and LGD are key inputs in these measures).	• automated based on application scorecards (scorecards are reflective of PD, EAD and LGD); and • assessment of client's affordability.
Credit monitoring and risk management	• risk assessment based on PD, EAD and LGD; • counterparty FR grades updated based on risk assessment; and • additional capital for large transactions that will increase concentration risk.	• same measures as for corporate; and • monthly analysis of portfolio and risk movements used in portfolio management and credit strategy decisions.
Impairments	• PD and LGD used in assessment of impairments and provisioning; and • judgemental assessment to determine adequacy of provisions.	• loss identification period PD, LGD and roll rates used for specific, portfolio and incurred but not reported provisions.
Regulatory and economic capital calculation	• primary credit risk measures, PD, EAD and LGD are the most important inputs.	• primary credit risk measures, PD, EAD and LGD are the most important inputs.
Reporting to senior management and board	• portfolio reports discussed at franchise and business unit risk committee meetings; and • quarterly portfolio reports submitted to credit risk management and RCC committees.	• portfolio reports discussed at franchise and business unit risk committee meetings; and • quarterly portfolio reports submitted to credit risk management and RCC committees.

CREDIT RISK PORTFOLIO

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

Credit portfolios

Credit impairments decreased 2%. The credit impairment ratio, however, reduced from 80 bps to 71 bps on the back of strong book growth.

Overall NPLs increased 7%, driven by strong book growth in card, other retail, FNB Africa and WesBank personal loans. The downturn in the commodity cycle negatively impacted NPL formation in the corporate portfolio, resulting in a 23% increase.

The total coverage ratio increased to 64.2 bps (2014: 63.8 bps), reflecting a change in NPL mix, although both specific and portfolio impairments increased during the year. Increased portfolio impairments were driven by strong book growth in WesBank personal loans, VAF, card and FNB Africa, and, in RMB, by the adverse commodity cycle (oil and gas, and mining and metals sectors). The performing book coverage ratio of 72 bps increased from the prior year (2014: 71 bps). This was largely as a result of the central overlay release given the previously identified risk manifesting with NPL formation increasing in some of the underlying franchises and products during the year resulting in higher specific impairments.

Key drivers

- Retail NPLs improved to 3.09% of advances (2014: 3.38%), impacted by:
  - 18% reduction in residential mortgage NPLs to 2.54% (2014: 3.29%), reflecting continued strong cure rates of defaulted accounts and constrained levels of new inflows, reflecting disciplined origination strategies and effective workout strategies.
  - Reduction of 7% in FNB personal loans NPLs, underpinned by a 22% reduction in NPLs in mass loans, reflecting more conservative origination strategies and tightening credit criteria.
  - Higher NPLs in card (+17%), retail VAF (+24%) and WesBank personal loans (+38% which includes an increase in debt review clients), impacted by strong book growth and the worsening credit cycle.
- NPLs in FNB Africa increased, driven by strong book growth and, in the case of certain subsidiaries, cyclical macro pressures.
- NPLs in RMB's Investment Banking division increased 37%, primarily driven by the impact of the adverse commodity cycle on certain counters in the mining and metals sector.
- Post write-off recoveries remained robust at R1.87 billion, driven by card, the unsecured retail lending portfolios (personal loans) and VAF.

Credit assets

The following table provides a breakdown of credit exposure (including off-balance sheet exposures) by type, segment and SARB approach. The figures are based on IFRS and differ from exposure figures used for regulatory capital calculation, which reflect the recognition of permissible adjustments such as netting of certain exposures. The group makes use of on- and off-balance sheet netting when it determines credit risk for regulatory capital purposes.

CREDIT ASSETS BY TYPE, SEGMENT AND SARB APPROACH

		AIRB approach	Standardised approach subsidiaries		
R million	**2015**	**FirstRand Bank (SA)**	**FNB Africa***	**Other subsidiaries**	**2014**
On-balance sheet exposures					
Cash and short-term funds	**56 831**	**45 873**	**8 831**	**2 127**	54 647
– Money at call and short notice	**34 279**	**27 738**	**4 465**	**2 076**	35 385
– Balances with central banks	**22 552**	**18 135**	**4 366**	**51**	19 262
Gross advances	**762 596**	**650 568**	**49 912**	**62 116**	696 311
FNB**	**329 857**	**284 098**	**45 297**	**462**	299 266
– FNB retail	**225 866**	**225 866**	**–**	**–**	208 920
– FNB commercial#	**58 251**	**58 232**	**–**	**19**	49 903
– FNB Africa	**45 740**	**–**	**45 297**	**443**	40 443
WesBank	**183 016**	**145 974**	**–**	**37 042**	167 037
RMB investment banking	**232 970**	**211 836**	**3 525**	**17 609**	218 279
RMB corporate banking	**6 147**	**5 997**	**–**	**150**	6 442
FCC	**10 606**	**2 663**	**1 090**	**6 853**	5 287
Derivatives	**34 500**	**34 003**	**139**	**358**	39 038
Debt investment securities (excluding non-recourse investments)	**124 956**	**114 262**	**9 971**	**723**	83 014
Accounts receivable	**8 009**	**3 945**	**1 724**	**2 340**	8 159
Reinsurance assets	**388**	**–**	**191**	**197**	408
Off-balance sheet exposures	**133 825**	**120 430**	**10 639**	**2 756**	129 421
Total contingencies	**41 005**	**36 792**	**3 549**	**664**	40 702
– Guarantees	**34 995**	**31 369**	**3 016**	**610**	33 114
– Letters of credit†	**6 010**	**5 423**	**533**	**54**	7 588
Irrevocable commitments	**87 464**	**78 001**	**7 090**	**2 373**	82 932
Credit derivatives	**5 356**	**5 637**	**–**	**(281)**	5 787
Total	**1 121 105**	**969 081**	**81 407**	**70 617**	1 010 998

* *Includes FNB's activities in India.*

** *Certain portfolios have been restated to reflect the current segmentation of the business.*

Includes public sector.

† *Includes acceptances.*

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Credit quality

Advances are considered past due in the following circumstances:

- loans with a specific expiry date (e.g. term loans and VAF) and consumer loans repayable by regular instalments (e.g. mortgage loans and personal loans) are treated as overdue where one full instalment is in arrears for one day or more and remains unpaid as at the reporting date; or
- loans payable on demand (e.g. credit cards) are treated as overdue where a demand for repayment was served on the borrower, but repayment has not been made in accordance with the stipulated requirements; or
- revolving facilities are treated as past due when the actual exposure is in excess of approved limits.

In these instances, the full outstanding amount is disclosed as overdue even if part is not yet due.

A past due analysis is performed for advances with specific expiry or instalment repayment dates. The analysis is not applicable to overdraft products or products where no specific due date is determined. The level of risk on these types of products is assessed and reported with reference to the counterparty ratings of the exposures. The following tables provide the age analysis of loans and advances for the group.

AGE ANALYSIS OF ADVANCES

	2015					
	Neither past due nor impaired		Past due but not specifically impaired			
R million/%	Current	Renegotiated but current	One full instalment past due	Two full instalments past due	Impaired (NPLs)	Total
FNB	313 821	537	4 556	2 269	8 674	329 857
– FNB retail	214 991	482	2 601	1 615	6 177	225 866
– FNB commercial*	56 769	40	63	78	1 301	58 251
– FNB Africa**	42 061	15	1 892	576	1 196	45 740
WesBank	170 406	–	4 865	1 896	5 849	183 016
RMB investment banking#	231 114	–	126	3	1 727	232 970
RMB corporate banking	6 062	–	–	–	85	6 147
FCC	10 606	–	–	–	–	10 606
Total	732 009	537	9 547	4 168	16 335	762 596
Percentage of total book	96.0%	0.1%	1.3%	0.5%	2.1%	100.0%

* *Includes public sector.*

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

Impaired advances for RMB investment banking are net of cumulative credit fair value adjustments on the non-performing book.

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AGE ANALYSIS OF ADVANCES continued

	2014					
	Neither past due nor impaired		**Past due but not specifically impaired**			
R million/%	**Current**	**Renego-tiated but current**	**One full instalment past due**	**Two full instalments past due**	**Impaired (NPLs)**	**Total**
FNB*	283 228	873	3 969	1 810	9 386	299 266
– FNB retail	196 980	769	2 548	1 367	7 256	208 920
– FNB commercial**	48 471	88	54	31	1 259	49 903
– FNB Africa#	37 777	16	1 367	412	871	40 443
WesBank	155 983	–	4 348	1 922	4 784	167 037
RMB investment banking†	216 569	–	100	571	1 039	218 279
RMB corporate banking	6 436	–	–	–	6	6 442
FCC	5 287	–	–	–	–	5 287
Total	667 503	873	8 417	4 303	15 215	696 311
Percentage of total book	95.9%	0.1%	1.2%	0.6%	2.2%	100.0%

* *Certain portfolios have been restated to reflect the current segmentation of the business.*

** *Includes public sector.*

Includes FNB's activities in India.

† *Impaired advances for RMB investment banking are net of cumulative credit fair value adjustments on the non-performing book.*

Renegotiated but current advances

Renegotiated but current financial assets would be past due or impaired were it not for the renegotiation, but are separately classified as neither-past-due-nor-impaired assets. Renegotiated but current advances include advances where, due to deterioration in the counterparty's financial condition, the group grants a concession whereby the original terms and conditions of the facility are amended and the counterparty is within the new terms of the advance. Renegotiated but current advances are advances which have not been classified as defaulted.

Advances are only classified as renegotiated but current if the terms of the renegotiated contract have not yet expired and remain classified as such until the terms of the renegotiated contract expire. Adherence to the new terms and conditions for each product segment is closely monitored. Renegotiated but current advances exclude advances which are extended or renewed as part of the ordinary course of business on similar terms and conditions as the original advances.

Retail NPLs cannot be reclassified as renegotiated but current unless the arrears balance has been repaid as per the group's policy. Renegotiated but current financial assets are considered as part of the collective evaluation of impairment where financial assets are grouped on the basis of similar credit risk characteristics.

As part of the risk management and recoveries approach, the group enters into arrangements with clients where concessions are made on payment terms (e.g. a reduction in payments for a specified period, changes in the payment profile or debt counselling payment plans). There are formally defined eligibility criteria appropriate for individual products to determine when clients are eligible for such arrangements.

The group is in the process of implementing directive 7/2015 requirements on restructured credit exposures.

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Past due but not specifically impaired

Advances past due but not specifically impaired in the previous tables include accounts in arrears by one or two full repayments. For the year ended 30 June 2015 exposures to technical and partial arrears of R7.4 billion (2014: R6.4 billion) were classified as neither past due nor impaired in accordance with FirstRand's impairment methodology, primarily driven by retail exposures.

The following tables provide the credit quality of advances in the in-force portfolio. Detailed information on the movements on an asset class level is provided in the PD, EAD and LGD profiles section.

CREDIT QUALITY OF PERFORMING ADVANCES

	2015							
	Total neither past due nor impaired*	FNB				RMB	RMB	
R million		Retail	Commercial**	FNB Africa#	WesBank	investment banking	corporate banking	FCC
FR 1 – 25	**209 609**	**48 679**	**2 978**	**13 058**	**11 838**	**121 801**	**2 064**	**9 191**
FR 26 – 90	**511 084**	**160 548**	**52 776**	**27 592**	**156 782**	**107 984**	**3 998**	**1 404**
Above FR 90	**11 853**	**6 246**	**1 055**	**1 426**	**1 786**	**1 329**	**–**	**11**
Total	**732 546**	**215 473**	**56 809**	**42 076**	**170 406**	**231 114**	**6 062**	**10 606**

* Includes renegotiated but current advances.
** Includes public sector.
# Includes FNB's activities in India.

	2014							
	Total neither past due nor impaired**	FNB*				RMB	RMB	
R million		Retail	Commercial#	FNB Africa†	WesBank	investment banking	corporate banking	FCC
FR 1 – 25	177 066	43 260	2 817	5 562	2 983	118 613	1 698	2 133
FR 26 – 90‡	481 675	147 285	45 239	31 949	151 958	97 374	4 737	3 133
Above FR 90‡	9 635	7 204	503	282	1 042	582	1	21
Total	668 376	197 749	48 559	37 793	155 983	216 569	6 436	5 287

* Certain portfolios have been restated to reflect the current segmentation of the business.
** Includes renegotiated but current advances.
# Includes public sector.
† Includes FNB's activities in India.
‡ The mapping of the FR rating scale to the international rating scale was realigned in 2014. The impact is a misalignment affecting advances which fall into the FR 90 and 91 bands. The impact is considered to be insignificant.

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The following tables provide an overview of the credit quality of other financial assets that are neither past due nor impaired.

CREDIT QUALITY OF OTHER FINANCIAL ASSETS (EXCLUDING ADVANCES) NEITHER PAST DUE NOR IMPAIRED

	2015				
R million	**Debt investment securities***	**Derivatives**	**Cash and short-term funds**	**Reinsurance assets**	**Total**
AAA to BBB	**116 928**	**28 077**	**53 755**	**388**	**199 148**
BB+ to B-	**7 431**	**6 383**	**2 785**	**–**	**16 599**
CCC	**439**	**38**	**248**	**–**	**725**
Unrated	**158**	**2**	**43**	**–**	**203**
Total	**124 956**	**34 500**	**56 831**	**388**	**216 675**

* *Excludes non-recourse investments.*

	2014				
R million	**Debt investment securities***	**Derivatives**	**Cash and short-term funds**	**Reinsurance assets**	**Total**
AAA to BBB	74 229	31 054	52 300	408	157 991
BB+ to B-	7 958	7 929	1 940	–	17 827
CCC	459	45	209	–	713
Unrated	368	10	198	–	576
Total	83 014	39 038	54 647	408	177 107

* *Excludes non-recourse investments.*

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Impairment of financial assets and NPLs

Adequacy of impairments is assessed through the ongoing review of the quality of credit exposures. Although credit management and workout processes are similar for amortised cost advances and fair value advances, impairments for these differ.

Refer to the accounting policy for impairment of financial assets, and the advances note in the consolidated annual financial statements for the analysis of the movement in the impairment of advances and NPLs.

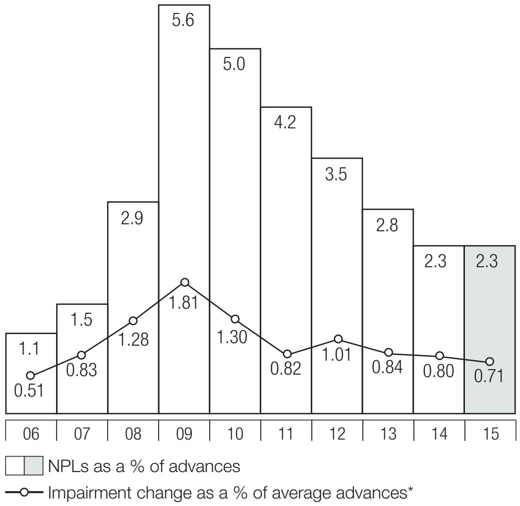
For amortised cost advances, impairments are recognised through the creation of an impairment reserve and an impairment charge in the income statement. For fair value advances, the credit valuation adjustment is charged to the income statement through trading income and recognised as a change to the carrying value of the asset.

Specific impairments are created for non-performing loans where there is objective evidence that an incurred loss event will have an adverse impact on the estimated future cash flows from the asset. Potential recoveries from guarantees and collateral are incorporated into the calculation of impairment figures.

All assets not individually impaired, as described, are included in portfolios with similar credit characteristics (homogeneous pools) and collectively assessed. Portfolio impairments are created with reference to these performing advances based on historical patterns of losses in each part of the performing book. Points of consideration for this analysis are the level of arrears, arrears roll rates, PIT PDs, LGDs and the economic environment. Loans considered uncollectable are written off against the reserve for loan impairments. Subsequent recoveries against these facilities decrease the credit impairment charge in the income statement in the year of recovery.

The following chart shows a history of NPLs and impairments.

TOTAL NPLs AND IMPAIRMENTS



* *Impairment charges are reflected before insurance proceeds where applicable. The impairment charge is calculated on an IFRS basis and excludes fair value adjustments on advances.*

Fair value sensitivity of corporate advances due to credit risk

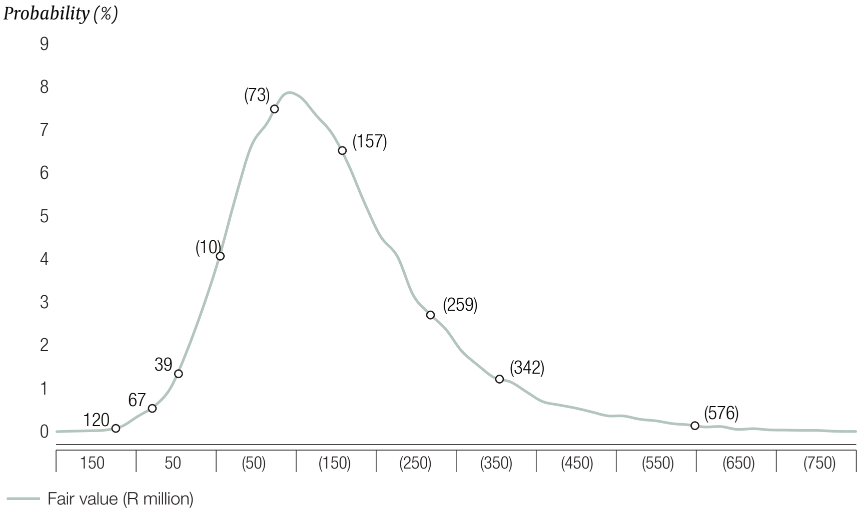
The Investment Banking division in RMB recognises a significant portion of its corporate advances at fair value through profit or loss. The fair value adjustments directly impact the income statement and the value of advances. For risk management purposes a migration matrix is used to estimate the fair value impact of changes in credit risk. The matrix contains probabilities of downgrading or upgrading to another rating bucket.

The main benefits of using the migration matrix to estimate the fair value impact of credit risk are:

- more realistic downgrades as better rating grades are less likely to be downgraded compared to riskier rating grades;
- migration matrices which take into account higher volatility of riskier rating grades;
- rating migration can be positive or negative;
- rating migration is not restricted by one notch only and, in extreme cases, includes default risk; and
- migration matrices can be based on different economic conditions, e.g. long term or downturn.

The following graph sets out the fair value impact based on actual observed rating migrations from Standard & Poor's over the long term. Based on this scenario, the average fair value impact is a loss of approximately R100 million, while the median (50% probability of exceeding this value) is a loss of approximately R73 million. The fair value at the 75th percentile (i.e. there is a probability of 25% to exceed this value) of the distribution is a loss of approximately R157 million.

DISTRIBUTON: FAIR VALUE IMPACT – LONG-TERM SCENARIO*
(INCLUDING FOREIGN ENTITIES)



* *Fair value sensitivity is shown net of portfolio specific impairments.*

Management of concentration risk

Credit concentration risk is the risk of loss to the group arising from an excessive concentration of exposure to a single counterparty, industry, market, product, financial instrument or type of security, country or region, or maturity. This concentration typically exists when a number of counterparties are engaged in similar activities and have similar characteristics that would cause their ability to meet contractual obligations to be similarly affected by changes in economic or other conditions.

Concentration risk is managed based on the nature of the credit concentration within each portfolio. The group's credit portfolio is well diversified, which is achieved through setting maximum exposure guidelines to individual counterparties. The group constantly reviews its concentration levels and sets maximum exposure guidelines for these. Excesses are reported to the RCC committee.

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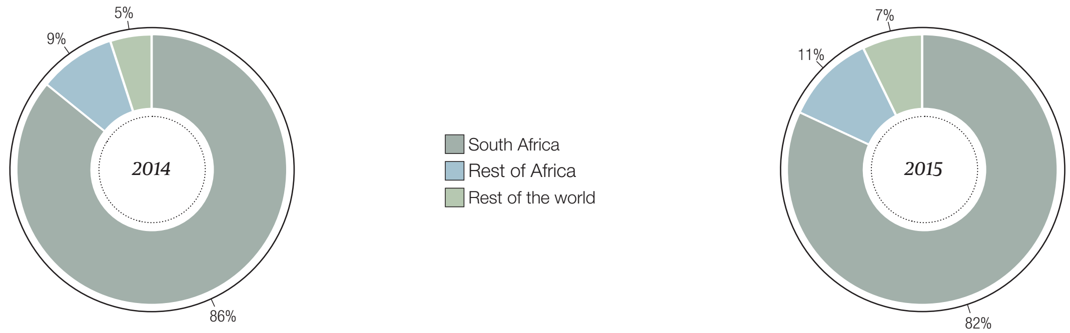
Geographic and industry concentration risk

Geographically, most of the group's exposures are in South Africa. The following charts provide the geographical and industry split of gross advances after deduction of interest in suspense.

GEOGRAPHICAL SPLIT BY EXPOSURE



INDUSTRY SPLIT BY EXPOSURE

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The group seeks to establish a balanced portfolio profile and closely monitors credit concentrations. The following tables provide a breakdown of credit exposure across geographical areas.

CONCENTRATION OF SIGNIFICANT EXPOSURE

	2015								
R million	**South Africa**	**Other Africa**	**United Kingdom**	**Other Europe**	**North America**	**South America**	**Austra-lasia**	**Asia**	**Total**
Advances	**629 062**	**78 979**	**43 279**	**5 194**	**1 030**	**739**	**998**	**3 315**	**762 596**
Derivatives	**18 405**	**534**	**12 849**	**1 888**	**628**	**34**	**26**	**136**	**34 500**
Debt investment securities*	**103 943**	**10 697**	**472**	**107**	**2 427**	**–**	**–**	**7 310**	**124 956**
Guarantees, acceptances and letters of credit**	**33 307**	**5 184**	**288**	**384**	**97**	**–**	**67**	**1 678**	**41 005**
Irrevocable commitments**	**75 803**	**9 463**	**339**	**1 416**	**1**	**26**	**71**	**345**	**87 464**

* *Excludes non-recourse investments.*

** *Significant off-balance sheet exposures. Refer to the note on contingencies and commitments in the notes to the annual financial statements.*

	2014								
R million	**South Africa**	**Other Africa**	**United Kingdom**	**Other Europe**	**North America**	**South America**	**Austra-lasia**	**Asia**	**Total**
Advances	597 147	62 273	28 314	4 316	1 223	161	1 165	1 712	696 311
Derivatives	21 721	287	14 263	1 961	707	–	1	98	39 038
Debt investment securities*	67 372	7 591	656	68	2 126	–	–	5 201	83 014
Guarantees, acceptances and letters of credit**	31 307	7 017	77	337	630	–	40	1 294	40 702
Irrevocable commitments**	71 636	9 252	805	584	61	–	–	594	82 932

* *Excludes non-recourse investments.*

** *Significant off-balance sheet exposures. Refer to the note on contingencies and commitments in the notes to the annual financial statements.*

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Average advances

The average amount of gross credit exposure per major credit risk portfolio during the year is calculated on a monthly average basis.

AVERAGE ADVANCES PER MAJOR RISK PORTFOLIOS

R million	2015	2014
Retail	**394 048**	357 973
FNB Africa	**43 492**	36 605
Corporate	**229 347**	206 821
Commercial	**54 178**	46 168

Segmental analysis of advances

The following table provides a breakdown of credit exposures by the group segments.

	2015				
R million/%	**Advances**	**NPLs**	**NPLs as a % of advances**	**Total impairment charge**	**Impairment as % of average advances**
FNB*	329 857	8 674	2.63	2 485	0.79
– FNB retail	225 866	6 177	2.73	1 759	0.81
– Residential mortgages	180 208	4 585	2.54	111	0.06
– Card	19 488	407	2.09	191	1.08
– Personal loans	13 856	680	4.91	715	5.42
– Other retail	12 314	505	4.10	742	6.81
– FNB commercial**	58 251	1 301	2.23	311	0.58
– FNB Africa#	45 740	1 196	2.61	415	0.96
WesBank	183 016	5 850	3.20	2 539	1.45
– WesBank asset-backed finance	172 539	4 941	2.86	1 706	1.03
– WesBank retail	98 131	4 162	4.24	1 219	1.25
– WesBank corporate	39 796	628	1.58	209	0.53
– WesBank international	34 612	151	0.44	278	0.97
– WesBank loans	10 477	909	8.68	833	8.49
RMB investment banking	232 970	2 893	1.24	312	0.14
RMB corporate banking	6 147	84	1.37	112	1.78
FCC	10 606	–	–	(298)	(0.04)
Total	**762 596**	**17 501**	**2.29**	**5 150**	**0.71**

* *Certain portfolios have been restated to reflect the current segmentation of the business.*

** *Includes public sector.*

Includes FNB's activities in India.

2014				
Advances	NPLs	NPLs as a % of advances	Total impairment charge	Impairment as % of average advances
299 266	9 386	3.14	2 413	0.85
208 920	7 256	3.47	1 820	0.90
171 173	5 625	3.29	158	0.09
15 761	348	2.21	101	0.70
12 516	729	5.82	980	7.72
9 470	554	5.85	581	7.09
49 903	1 259	2.52	262	0.57
40 443	871	2.15	331	0.90
167 037	4 784	2.86	2 081	1.35
157 883	4 125	2.61	1 479	1.01
96 445	3 409	3.53	1 209	1.32
38 763	633	1.63	135	0.37
22 675	83	0.37	135	0.75
9 154	659	7.20	602	7.32
218 279	2 105	0.96	177	0.09
6 442	6	0.09	32	0.55
5 287	–	–	549	0.08
696 311	16 281	2.34	5 252	0.80

REGULATORY DISCLOSURE

Credit rating systems and processes used for SARB approaches

The group uses the AIRB approach for exposures for FirstRand Bank SA (bank SA) and the standardised approach for all of the group's other legal entities and the bank's offshore branches for regulatory capital purposes. Due to the relatively smaller size of the subsidiaries and the scarcity of relevant data, the group plans to continue using the standardised approach for the foreseeable future for the majority of these portfolios.

For portfolios using the standardised approach, only Standard & Poor's ratings are used. As external ratings are not available for all jurisdictions and for certain parts of the portfolio, the group uses its internally developed mapping between FR grade and Standard & Poor's grades (refer to the table mapping of FirstRand (FR) grades to rating agency scales on page 180).

The following table provides the breakdown of exposures rated through the standardised approach by risk bucket. The risk weights used are those prescribed in the Regulations and will differ primarily by asset class and credit rating.

CREDIT RISK EXPOSURE RATED THROUGH THE STANDARDISED APPROACH BY RISK BUCKET*

	Exposure R million	
Risk bucket	**2015**	**2014**
0%	**3 814**	3 597
10%	**–**	21
20%	**11 856**	8 508
35%	**15 214**	13 893
50%	**10 262**	5 397
75%	**45 166**	24 656
100%	**77 553**	45 384
Specific impairments	**1 338**	940
Total	**165 203**	102 396

* *No exposure amount is deducted from the group's capital or reserve funds.*

Protected exposures

The following table includes the exposures for the standardised approach portfolios in certain subsidiaries in the rest of Africa, namely Botswana, Lesotho, Namibia, Swaziland, Tanzania and Zambia. The exposures are split according to the retail, commercial and corporate portfolios, as appropriate. The table also includes the amount of protection obtained through eligible financial collateral. Eligible financial collateral used is as specified in the Regulations for both standardised and AIRB approaches, including guarantees or credit-derivative instruments after the effect of haircuts.

STANDARDISED APPROACH PROTECTED EXPOSURES PER PORTFOLIO

R million	2015 Exposure before credit risk mitigation	2015 Eligible collateral*	2015 Exposure after credit risk mitigation
Retail	**26 196**	**22**	**26 173**
Commercial and corporate	**46 185**	**267**	**45 922**
Total	**72 381**	**289**	**72 095**

* *Eligible collateral includes cash, certificates of deposit, gold, debt securities, equities, undertakings for collective investments in transferable securities, mutual funds, financial receivables, guarantees and credit-derivative instruments.*

R million	2014 Exposure before credit risk mitigation	2014 Eligible collateral*	2014 Exposure after credit risk mitigation
Retail	27 170	362	26 808
Commercial and corporate	29 750	265	29 485
Total	56 920	627	56 293

* *Eligible collateral includes cash, certificates of deposit, gold, debt securities, equities, undertakings for collective investments in transferable securities, mutual funds, financial receivables, guarantees and credit-derivative instruments.*

Slotting exposures

The slotting approach is applied to exposures where:

- the bank finances an entity created to finance and/or operate physical assets;
- the primary source of repayment of the obligation is the income generated by the assets; and
- deals originate under the specialised lending asset classes of project finance, commodity finance and income-producing real estate.

In the bank these exposures include, but are not limited to, deals originated in FNB business and RMB and are only applicable to entities in bank SA with SARB AIRB approval. In the slotting approach, the exposures are assessed based on the risks and mitigations applied to reduce the credit risk and then classified in one of four SARB categories: strong, good, satisfactory or weak, with predetermined risk weights. The output of this assessment is therefore used to determine the specified risk weight applicable for each exposure.

The following table provides a breakdown of these exposures by risk weight.

CREDIT EXPOSURE RATED THROUGH THE SLOTTING APPROACH FOR BANK EXCLUDING FOREIGN BRANCHES*

	2015				
	Specific risk weight				
R million	70%	90%	115%	250%	Total
Exposure	**10 360**	**4 235**	**76**	**186**	**14 857**

* *Disclosure included from June 2015, comparative information will be provided from June 2016.*

PD, EAD and LGD profiles

A summary of credit risk parameters as reported for regulatory capital purposes is shown in the following tables for each significant AIRB asset class. The parameters reflect TTC PDs and downturn LGDs. The group uses EAD-weighted PDs based on the FR master rating scale, which are then mapped to SARB rating buckets (1 – 25) for regulatory reporting purposes.

The tables provide a summary of the risk-weight and EAD distribution by prescribed counterparty risk bands (SARB risk buckets). The EAD-weighted downturn LGD, EAD-weighted PD and average risk weight for the performing and total book are also shown as well as comparatives for the prior year.

Year-on-year trends are impacted by the risk migration in the existing book (reflecting changes in the economic environment), quality of new business originated and any model recalibrations implemented during the course of the year. The risk profile reflects the group's credit origination strategy, which focuses on targeting segments that provide an appropriate risk/return profile.

The risk weight per SARB risk bucket table must be read together with the EAD% distribution per SARB risk bucket table as the significant overall movements year-on-year are explained by the movement of exposures in low-volume rating buckets. The sovereign asset class includes public sector entities, local government and municipalities, and sovereign exposures (including central government and central bank exposures) while the specialised lending asset class includes high-volatility commercial real estate, income-producing real estate, object finance, commodity finance and project finance.

BANK'S RISK PROFILE PER ASSET CLASS: RISK-WEIGHT PER SARB RISK BUCKET

	Risk weight									
	Total FRB		Corporate		Sovereign		Specialised lending		Banks and securities firms	
%	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
1 – 5	**3.1**	3.0	**7.5**	0.1	**3.7**	3.8	**5.2**	5.2	**1.1**	0.7
6 – 10	**23.8**	22.7	**28.1**	27.2	**30.7**	26.5	**18.1**	16.8	**17.8**	16.1
11 – 15	**36.0**	37.5	**53.6**	60.0	**54.3**	53.1	**35.2**	41.0	**52.1**	51.5
16 – 20	**52.9**	52.3	**98.8**	101.7	**62.6**	74.6	**101.4**	94.6	**94.7**	100.7
21 – 25	**107.3**	110.1	**147.8**	157.1	**365.4**	354.3	**153.2**	235.9	**63.1**	142.1
NPLs	**58.6**	69.0	**9.1**	0.9	**–**	5.8	**–**	–	**–**	–

	Risk weight									
	SME corporate		SME retail		Retail mortgages		Retail revolving		Other retail	
%	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
1 – 5	**1.3**	4.1	**2.9**	5.8	**1.1**	1.2	**1.7**	1.7	**2.0**	1.5
6 – 10	**17.6**	1.9	**13.8**	13.1	**5.3**	5.1	**5.7**	5.7	**26.6**	22.1
11 – 15	**45.9**	48.0	**39.3**	34.5	**15.2**	15.3	**22.9**	23.1	**28.1**	29.7
16 – 20	**64.8**	63.9	**49.3**	40.3	**36.0**	36.6	**61.9**	61.7	**49.8**	47.0
21 – 25	**105.1**	116.9	**83.0**	73.7	**78.8**	77.6	**160.6**	157.4	**104.3**	107.1
NPLs	**26.5**	13.6	**208.2**	245.5	**1.3**	14.8	**7.3**	12.1	**104.2**	133.4

BANK'S RISK PROFILE PER ASSET CLASS: EAD% DISTRIBUTION PER SARB RISK BUCKETS

	EAD									
	Total FRB		Corporate		Sovereign		Specialised lending		Banks and securities firms	
%	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
1 – 5	**10.4**	9.3	**–**	–	**86.8**	80.3	**0.1**	0.3	**26.8**	28.8
6 – 10	**16.6**	16.3	**38.5**	38.2	**10.4**	16.5	**18.3**	17.1	**48.8**	51.1
11 – 15	**38.8**	38.4	**50.0**	49.8	**2.2**	2.2	**66.3**	64.1	**17.9**	15.3
16 – 20	**28.6**	30.0	**10.2**	11.0	**0.4**	0.8	**10.9**	13.5	**5.9**	3.7
21 – 25	**3.9**	4.1	**0.7**	0.9	**0.2**	0.2	**0.8**	1.0	**0.4**	1.0
NPLs	**1.7**	1.8	**0.5**	0.2	**0.0**	–	**3.7**	4.0	**0.1**	–

	EAD									
	SME corporate		SME retail		Retail mortgages		Retail revolving		Other retail	
%	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
1 – 5	**0.1**	0.2	**0.1**	2.5	**0.6**	0.6	**2.2**	2.1	**–**	–
6 – 10	**0.1**	–	**12.7**	6.3	**0.8**	0.6	**9.6**	8.8	**–**	–
11 – 15	**65.0**	55.7	**34.0**	34.6	**50.0**	53.8	**35.4**	36.0	**18.7**	13.9
16 – 20	**30.4**	39.3	**45.8**	48.7	**42.8**	38.6	**42.4**	43.6	**63.0**	69.0
21 – 25	**3.2**	3.3	**4.7**	5.4	**3.8**	3.8	**8.8**	7.8	**13.5**	13.0
NPLs	**1.3**	1.4	**2.8**	2.6	**2.0**	2.6	**1.6**	1.7	**4.7**	4.1

BANK'S RISK PROFILE PER ASSET CLASS: NOMINAL EAD PER SARB RISK BUCKET

	Nominal EAD									
	Total FRB		Corporate		Sovereign		Specialised lending		Banks and securities firms	
R million	**2015**	**2014**	**2015**	**2014**	**2015**	**2014**	**2015**	**2014**	**2015**	**2014**
1 – 5	**88 366**	74 409	**46**	14	**67 605**	52 907	**37**	142	**18 381**	18 165
6 – 10	**141 752**	130 132	**81 572**	71 707	**8 114**	10 836	**7 483**	8 108	**33 482**	32 205
11 – 15	**331 589**	305 533	**105 939**	93 524	**1 698**	1 427	**27 150**	30 305	**12 248**	9 640
16 – 20	**243 755**	239 110	**21 562**	20 656	**332**	538	**4 441**	6 362	**4 060**	2 343
21 – 25	**33 449**	32 487	**1 549**	1 620	**142**	153	**320**	494	**293**	630
NPLs	**14 664**	14 275	**1 013**	405	**1**	–	**1 499**	1 873	**84**	–
Total	**853 575**	795 946	**211 681**	187 926	**77 892**	65 861	**40 930**	47 284	**68 548**	62 983

	Nominal EAD									
	SME corporate		SME retail		Retail mortgages		Retail revolving		Other retail	
R million	**2015**	**2014**	**2015**	**2014**	**2015**	**2014**	**2015**	**2014**	**2015**	**2014**
1 – 5	**38**	111	**55**	980	**1 169**	1 211	**1 009**	853	**26**	26
6 –10	**55**	1	**5 059**	2 463	**1 664**	1 174	**4 321**	3 637	**2**	1
11 –15	**33 446**	24 936	**13 566**	13 523	**99 235**	100 707	**15 926**	14 933	**22 381**	16 538
16 –20	**15 634**	17 622	**18 283**	19 055	**84 924**	72 206	**19 061**	18 091	**75 458**	82 237
21 – 25	**1 629**	1 496	**1 876**	2 106	**7 540**	7 210	**3 937**	3 246	**16 163**	15 532
NPLs	**685**	624	**1 114**	1 013	**3 892**	4 784	**716**	720	**5 660**	4 856
Total	**51 487**	44 790	**39 953**	39 140	**198 424**	187 292	**44 970**	41 480	**119 690**	119 190

BANK'S PD%, LGD%, EL/EAD AND RWA/EAD RATIO PER ASSET CLASS

%	Total FRB		Corporate		Sovereign		Specialised lending		Banks and securities firms	
	2015	**2014**	**2015**	**2014**	**2015**	**2014**	**2015**	**2014**	**2015**	**2014**
Performing										
Average PD	**2.3**	2.4	**1.0**	0.9	**0.2**	0.2	**1.2**	1.2	**0.6**	0.4
Average LGD	**29.3**	28.9	**33.0**	34.6	**29.7**	29.4	**20.0**	22.9	**31.2**	28.2
EL/EAD	**0.8**	0.8	**0.3**	0.3	**0.1**	0.1	**0.3**	0.4	**0.1**	0.1
RWA/EAD	**38.2**	39.3	**49.1**	52.9	**8.5**	10.0	**40.4**	46.2	**24.2**	21.5
Total book										
Average PD	**4.0**	4.1	**1.4**	1.1	**0.2**	0.2	**4.8**	5.1	**0.7**	0.4
Average LGD	**29.5**	29.1	**33.0**	34.6	**29.7**	29.4	**21.0**	23.7	**31.8**	28.2
EL/EAD	**1.4**	1.5	**0.4**	0.4	**0.1**	0.1	**2.0**	2.3	**0.1**	0.1
RWA/EAD	**38.6**	39.8	**48.9**	52.8	**8.5**	10.0	**38.9**	44.4	**24.2**	21.5

%	SME corporate		SME retail		Retail mortgages		Retail revolving		Other retail	
	2015	**2014**	**2015**	**2014**	**2015**	**2014**	**2015**	**2014**	**2015**	**2014**
Performing										
Average PD	**2.3**	2.3	**2.7**	3.0	**2.8**	2.8	**3.9**	3.8	**6.4**	6.1
Average LGD	**26.0**	27.0	**36.2**	32.0	**13.8**	13.8	**65.4**	65.5	**34.1**	33.3
EL/EAD	**0.6**	0.6	**1.0**	1.0	**0.4**	0.4	**2.6**	2.5	**2.7**	2.5
RWA/EAD	**53.5**	56.6	**42.8**	37.5	**26.6**	26.0	**49.8**	48.9	**53.3**	52.6
Total book										
Average PD	**3.5**	3.6	**5.4**	5.5	**4.7**	5.3	**5.4**	5.5	**10.9**	9.9
Average LGD	**26.1**	27.2	**37.1**	32.6	**13.9**	13.9	**65.4**	65.5	**34.7**	33.9
EL/EAD	**1.4**	1.6	**2.2**	1.9	**0.9**	1.0	**3.7**	3.7	**4.5**	4.1
RWA/EAD	**53.2**	56.0	**47.4**	42.8	**26.1**	25.7	**49.1**	48.3	**55.7**	55.9

BANK'S NOMINAL CREDIT EXTENDED, DRAWN EXPOSURE AND EAD PER ASSET CLASS

Total book	Total FRB		Corporate		Sovereign		Specialised lending		Banks and securities firms	
R million	**2015**	**2014**	**2015**	**2014**	**2015**	**2014**	**2015**	**2014**	**2015**	**2014**
Credit extended	**1 064 010**	1 009 673	**264 395**	236 559	**90 967**	72 449	**48 529**	47 704	**157 199**	180 870
Drawn exposure	**724 007**	690 972	**166 111**	151 431	**74 998**	62 698	**40 347**	46 397	**48 471**	55 274
Nominal EAD	**853 575**	795 946	**211 681**	187 926	**77 892**	65 861	**40 930**	47 284	**68 548**	62 983

Total book	SME corporate		SME retail		Retail mortgages		Retail revolving		Other retail	
R million	**2015**	**2014**	**2015**	**2014**	**2015**	**2014**	**2015**	**2014**	**2015**	**2014**
Credit extended	**61 167**	52 456	**42 353**	42 594	**218 380**	200 502	**61 075**	56 850	**119 945**	119 689
Drawn exposure	**43 558**	37 333	**31 478**	32 611	**173 208**	162 651	**27 285**	24 491	**118 551**	118 086
Nominal EAD	**51 487**	44 790	**39 953**	39 140	**198 424**	187 292	**44 970**	41 480	**119 690**	119 190

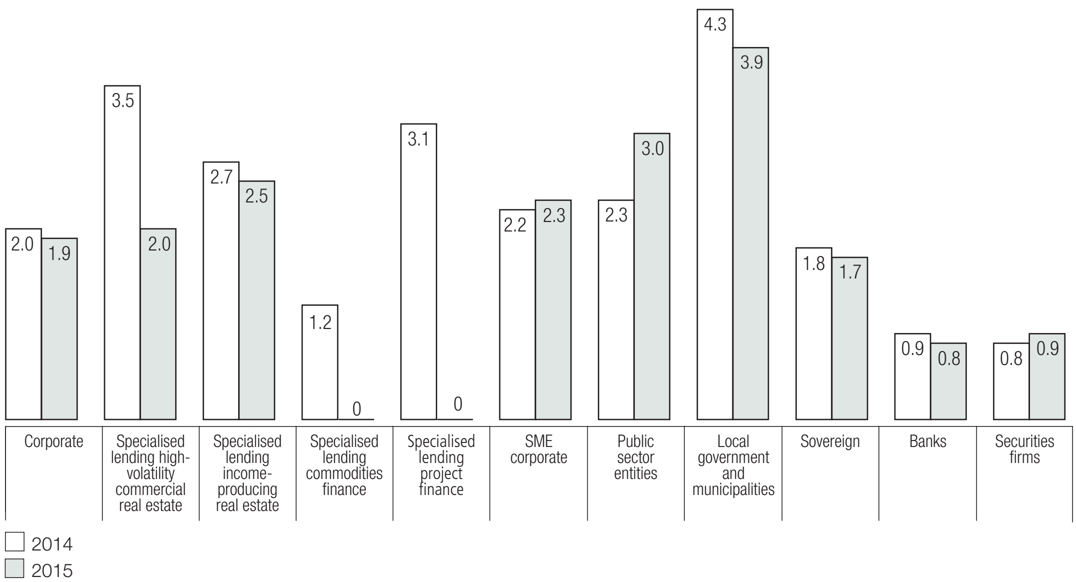
Maturity breakdown

Maturity is the average time at which a bank will receive its contractual payments (cash flows), calculated for each account or exposure weighted by the size of each of the cash flows.

Maturity is used as an input in the AIRB regulatory capital calculation for corporate portfolios. These are aggregated on an asset class basis for review and reporting purposes. The longer the maturity of a deal, the greater the uncertainty and all else being equal, the larger the regulatory capital requirement. The following chart provides a maturity breakdown of AIRB asset classes within the corporate credit portfolio.

MATURITY BREAKDOWN PER CORPORATE AIRB ASSET CLASS

Maturity in years



Actual versus expected loss analysis

To provide a meaningful assessment of the effectiveness of internal ratings-based models, expected loss is compared to actual losses during the calendar year. This analysis is performed for all significant AIRB asset classes. Expected loss here refers to regulatory expected loss. This provides a one-year forward-looking view, based on information available at the beginning of the financial year, i.e. 1 July 2014. Risk parameters include:

- PDs, which are calibrated to long-run default experience to avoid regulatory models being skewed to a specific part of the credit cycle;
- LGDs, which are calibrated to select downturn periods to reflect depressed asset prices during economic downturns; and
- EADs.

Actual losses during the year consist of the level of specific impairments at the start of the year (1 July 2014) and the net specific impairment charge recorded through the income statement for the year as determined by IFRS. It excludes the effect of post-write off recoveries, which would reduce the actual loss number. The calculation is based on the assumption that the specific provisions raised are a fair estimate of what final losses on defaulted exposures would be, although the length of the workout period creates uncertainty in this assumption.

The measure of actual losses includes specific impairments raised for exposures which defaulted during the year, but which did not exist at 1 July 2014. These exposures are not reflected in the expected loss value described. As a result, significant volumes of new business can distort the analysis by inflating the actual loss figure.

The following table provides the comparison of actual loss to regulatory expected loss for each significant AIRB asset class. PDs used for regulatory capital purposes are based on long-run experience and are expected to underestimate actual defaults at the top of the credit cycle and overestimate actual defaults at the bottom of the credit cycle, under normal circumstances.

The regulatory expected loss shown is based on the expected loss derived from regulatory capital models that were applied as at 30 June 2014. This comparison is supplemented with more detailed analyses on the following page, comparing actual and expected outcomes for each risk parameter (PD, LGD and EAD) during the year under review.

ACTUAL VERSUS EXPECTED LOSS PER PORTFOLIO SEGMENT

	2015		2014		2013	
R million*	**Expected loss**	**Actual loss**	**Expected loss**	**Actual loss**	**Expected loss**	**Actual loss**
Corporate (corporate, banks and sovereign)**	**1 660**	**123**	1 977	59	1 621	70
SME (SME corporate and SME retail)#	**1 186**	**1 021**	1 125	998	1 146	989
Residential mortgages#	**1 928**	**1 953**	2 422	1 913	2 674	2 470
Qualifying revolving retail#	**1 599**	**1 427**	1 434	1 512	1 126	973
Other retail	**1 693**	**1 785**	1 981	2 336	1 718	2 413
WesBank†	**3 717**	**4 527**	3 076	3 825	2 780	3 236
Total	**11 783**	**10 836**	12 015	10 643	11 065	10 151

* *The composition used above differs slightly from that used in the remainder of this section due to impairment charges on a business unit level as opposed to AIRB asset class level.*

** *Expected losses for the corporate portfolio are much higher than the actual losses due to it being a low default portfolio. As a result, the models use conservative data inputs.*

Actual losses are at similar levels to expected losses which is expected given the turning point in the economic cycle.

† *WesBank experienced high levels of new business written during the year, although it is not reflected in the expected losses which are based on accounts that are in-force at the start of the year. These new accounts, however, will contribute to the actual losses as a result of additional provisions raised. As a result, actual losses are inflated.*

For the following analysis, estimated values are based on regulatory capital models applied as at 30 June 2014. For PDs, this is applied to the total performing book as at 30 June 2014. For LGDs and EADs, it is applied to all facilities that defaulted over the subsequent 12 months.

Actual values are based on actual outcomes over the 12-month period, 1 July 2014 to 30 June 2015. Due to the length of the workout period, there is uncertainty in the measure provided for actual LGDs as facilities defaulting during the year would only have between one and twelve months to recover, depending on when the default event occurred.

The estimated EAD to actual EAD ratio is derived as the ratio of expected nominal exposure at default (for all accounts defaulting during the year) to the actual nominal exposure at default for the same accounts.

RISK PARAMETERS USED TO DETERMINE REGULATORY EXPECTED LOSS

	2015				
	PD		LGD		Estimated EAD to actual EAD ratio
Asset class	Estimated %	Actual %	Estimated %	Actual %	%
Corporate, banks and sovereign*	**0.6**	**0.9**	**25.7**	**16.8**	**91.4**
Specialised lending – property finance	**1.2**	**0.3**	**25.6**	**30.0**	**170.3**
SME corporate	**2.0**	**1.8**	**25.5**	**26.3**	**145.1**
SME retail	**3.1**	**2.9**	**37.1**	**41.6**	**108.3**
Residential mortgages	**2.8**	**1.8**	**15.3**	**10.4**	**102.5**
Qualifying revolving retail	**4.1**	**3.1**	**70.5**	**63.7**	**146.3**
Other retail	**6.1**	**5.8**	**39.0**	**36.9**	**105.3**
Total	**2.4**	**2.1**	**28.3**	**23.4**	**106.5**

* *Corporate, banks and sovereign are shown as one asset class to align with the respective asset class in the actual versus expected loss table.*

	2014				
	PD		LGD		Estimated EAD to actual EAD ratio
Asset class	Estimated %	Actual %	Estimated %	Actual %	%
Corporate, banks and sovereign*	0.8	0.2	18.7	28.2	101.9
Specialised lending – property finance	2.3	0.5	16.9	2.0	133.7
SME corporate	2.4	1.2	26.6	20.9	111.3
SME retail	2.8	2.3	32.4	34.2	109.3
Residential mortgages	2.9	2.0	15.4	8.8	103.2
Qualifying revolving retail	4.4	2.8	65.2	71.8	106.8
Other retail	6.0	6.1	42.6	43.6	106.9
Total	2.6	1.9	24.9	26.0	106.3

* *Corporate, banks and sovereign are shown as one asset class to align with the respective asset class in the actual versus expected loss table.*

RISK PARAMETERS USED TO DETERMINE REGULATORY EXPECTED LOSS continued

	2013				
	PD		LGD		Estimated EAD to actual EAD ratio
Asset class	**Estimated %**	**Actual %**	**Estimated %**	**Actual %**	**%**
Corporate, banks and sovereign*	0.9	0.3	15.8	34.6	107.9
Specialised lending – property finance	2.1	1.2	31.0	3.3	102.7
SME corporate	2.3	1.3	29.3	28.4	109.9
SME retail	2.9	2.8	32.1	26.3	111.6
Residential mortgages	3.5	2.6	15.6	12.6	104.7
Qualifying revolving retail	3.6	2.6	67.6	63.3	91.9
Other retail	6.3	5.6	33.4	33.3	104.1
Total	2.7	2.0	22.2	28.5	106.0

* *Corporate, banks and sovereign are shown as one asset class to align with the respective asset class in the actual versus expected loss table.*

Differences between the actual and expected LGDs for corporates, banks and sovereigns as well as specialised lending property finance are due to the low default volumes where individual defaults' loss experience can dominate the result. The difference in the outputs compared to prior years is primarily as a result of the actual and expected LGD being based only on counterparties which have defaulted during the respective years. Differences in the loss characteristics of accounts which default over time can be significant, particularly in the wholesale and commercial portfolios where there are few defaults.

The qualifying revolving retail asset class EAD models applied for regulatory capital at June 2014 significantly overestimated EADs and reflect the model in use at the time. An updated model is in the process of development and will predict EADs for this asset class at a more appropriate level.

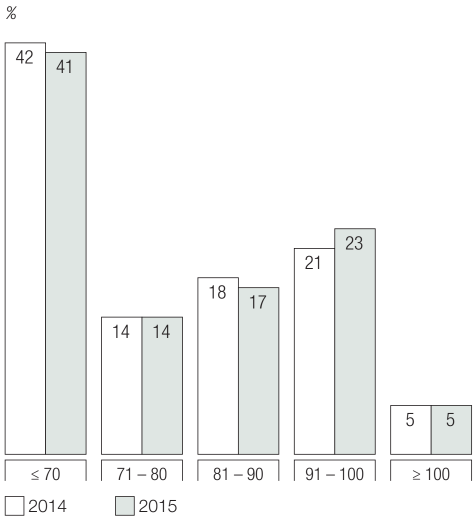
The other retail asset class typically has stable risk parameters due to diverse underlying exposures which do not follow the conventional retail cycle.

SELECTED RISK ANALYSES

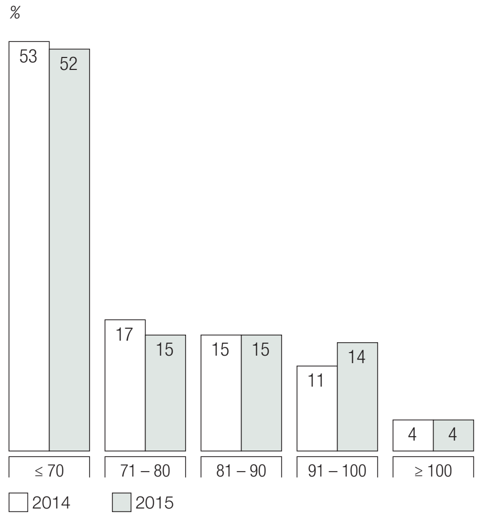
The following graphs provide loan balance-to-value ratios and age distributions of residential mortgages.

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

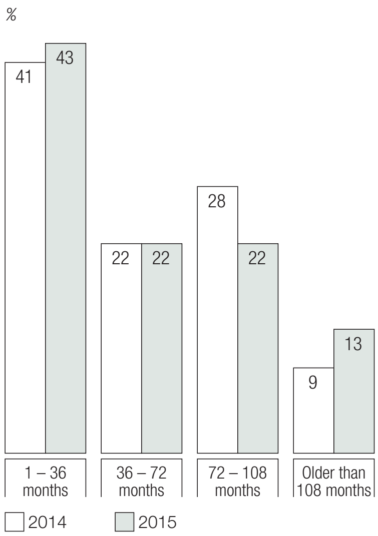
RESIDENTIAL MORTGAGES BALANCE-TO-ORIGINAL VALUE



RESIDENTIAL MORTGAGES BALANCE-TO-MARKET VALUE

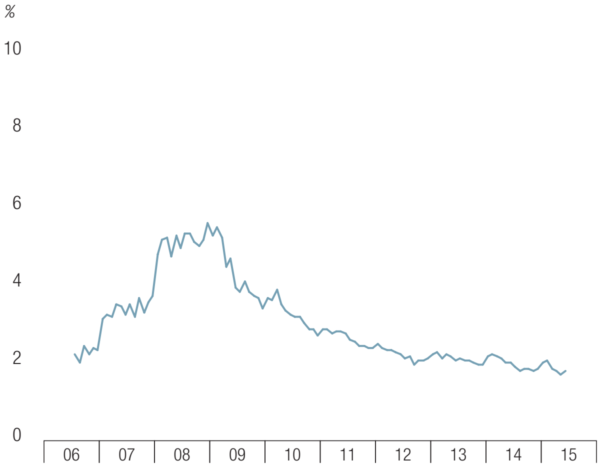


RESIDENTIAL MORTGAGES AGE DISTRIBUTION



The following graph shows arrears in the FNB HomeLoans portfolio. It includes arrears where more than one full payment is in arrears expressed as a percentage of total advances.

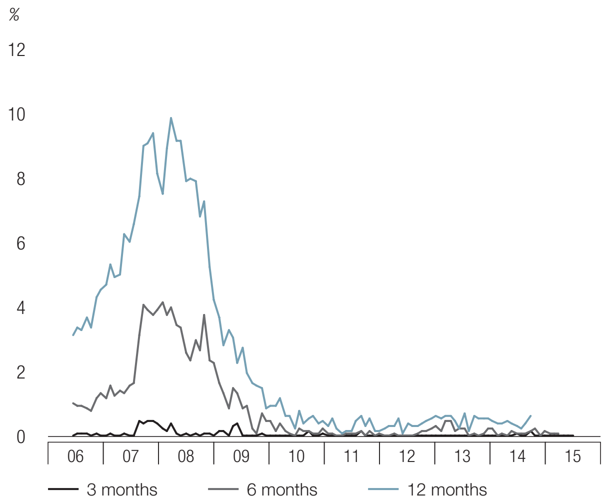
FNB HOMELOANS ARREARS



The following graphs provide the vintage analyses for FNB HomeLoans and WesBank retail VAF. 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.

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

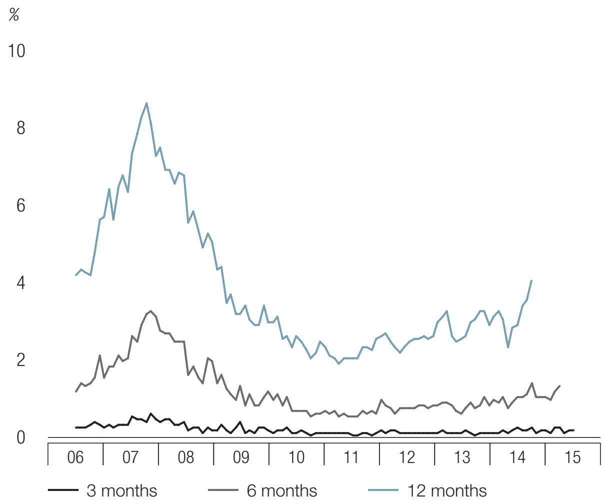
FNB HOMELOANS VINTAGE ANALYSIS



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

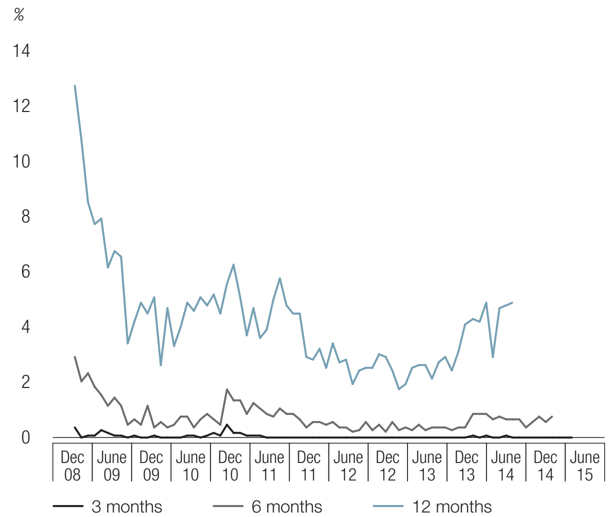
As expected, default rates in the retail VAF portfolio are gradually increasing. The uptick in VAF vintages is due, in part, to strong new business volumes in recent years as well as increased debt review applications. The group actively adjusts risk appetite and credit parameters to ensure that vintages continue to perform in line with expectations considering the credit cycle.

WESBANK RETAIL VAF VINTAGE ANALYSIS



FNB card default rates remain at very low levels, even on a through-the-cycle basis. There was a minor increase in risk appetite from October 2013, which resulted in more business written in the lower-end consumer segment at slightly higher default rates. This was reviewed and adjusted downwards again in April 2014. These actions are reflected in the reduction in the default rates in the six-month default vintage. The twelve-month default vintage is expected to follow. In the group's view, default rates have bottomed and moderate increases are expected from this level.

FNB CARD VINTAGE ANALYSIS



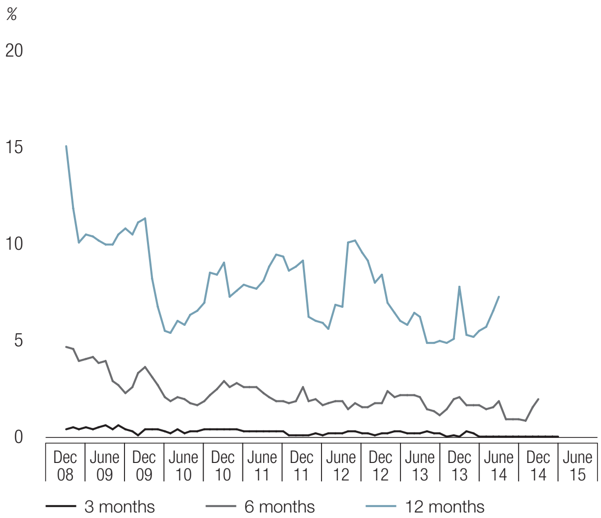
The default experience of the FNB and WesBank personal loans portfolios is within risk appetite.

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

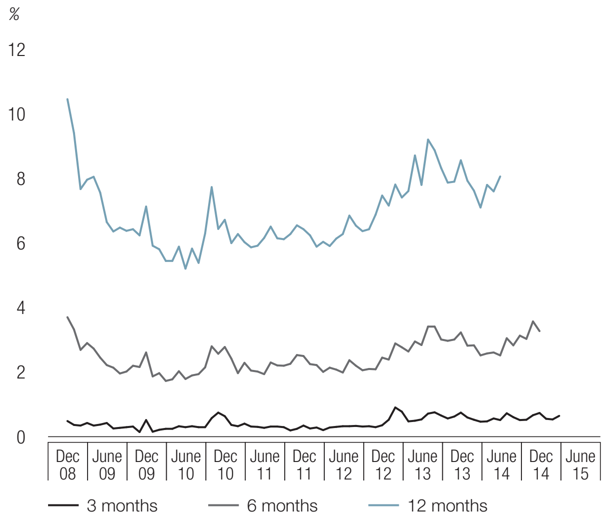
As expected, WesBank personal loans vintages have shown a marginal deterioration from 2010 levels. This is expected given the challenging macroeconomic conditions and increased debt review applications.

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

FNB PERSONAL LOANS VINTAGE ANALYSIS



WESBANK PERSONAL LOANS VINTAGE ANALYSIS



SECURITISATIONS AND CONDUITS

INTRODUCTION AND OBJECTIVES

Securitisation is the structured process whereby loans and other receivables are packaged, underwritten and sold in the form of asset-backed securities to capital market investors.

Asset securitisations enable the group to access funding markets at ratings higher than its own corporate credit rating, which generally provides access to broader funding sources at more favourable rates. The removal of the assets and supporting funding from the balance sheet enables the group to reduce some of the costs of on-balance sheet financing and manage potential asset-liability mismatches and credit concentrations.

The group uses securitisation as a tool to achieve one or more of the following objectives:

- improve the group's liquidity position through the diversification of funding sources;
- match the cash flow profile of assets and liabilities;
- reduce balance sheet credit risk exposure; and
- manage credit concentration risk.

ORGANISATIONAL STRUCTURE AND GOVERNANCE

GROUP'S ROLE IN SECURITISATION AND CONDUIT STRUCTURES

Transaction	Originator	Sponsor	Servicer	Investor	Liquidity provider	Credit enhancement provider	Swap counterparty
Own securitisations							
Nitro 4	✓	✓	✓	✓			✓
Nitro 5	✓	✓	✓	✓			✓
Turbo Finance 2	✓	✓	✓	✓			
Turbo Finance 3	✓	✓	✓	✓			
Turbo Finance 4	✓	✓	✓	✓			
Turbo Finance 5	✓	✓	✓	✓			
Conduit structures							
iNdwa*		✓	✓		✓		✓
iVuzi*		✓	✓		✓	✓	✓
iNkotha**			✓				
iNguza**			✓				
Third party							
– Homes Obligor Mortgage Enhanced Securities					✓		
– Private Residential Mortgages 2					✓		
– Superdrive Investments				✓			
– Torque Securitisation					✓		
– Velocity Finance				✓			✓

* *Conduits incorporated under regulations relating to securitisation scheme.*

** *Conduits incorporated under regulations relating to commercial paper.*

Ultimate responsibility for determining risk limits and appetite for the group vests with the board. Independent oversight for monitoring is done through the RCC committee, who, in turn, has delegated the responsibility for securitisations to group ALCCO. ALCCO also maintains responsibility on behalf of the board for the allocation of sublimits and remedial action to be taken in the event of limit breaches. The FirstRand wholesale credit committee approves individual retained securitisation exposures per special purpose vehicle (SPV).

ASSESSMENT AND MANAGEMENT

Oversight and risk mitigation

The group's role in securitisation transactions, both group-originated and group-sponsored transactions, as well as third party securitisations, results in various financial and operational risks, including:

- compliance risk;
- credit risk;
- currency risk;
- interest rate risk;
- liquidity and funding risk;
- operational risk; and
- reputational risk.

For securitisations originated by the group, exposures are managed from a credit perspective by the originating business units as if the securitisation had never occurred. Resultant risks from retained exposures and the overall origination and maintenance of securitisation structures are covered as part of the day-to-day management of the various risk types. This includes risk mitigation and management actions depending on risk limits and appetite per risk area. Securitisation performance is monitored on an ongoing basis and reported to management and governance forums.

Some of the governance and management processes in place to monitor securitisation-related risks are outlined below:

- there are rigorous internal approval processes in place for proposed securitisations and transactions are reviewed by ALCCO, the RCC committee and the board against approved board limits;
- changes to retained exposures (as result of ratings changes, reviews, note redemptions and credit losses) are reflected in the monthly BA 500 regulatory return; and
- transaction investor reports, alignment with special purpose vehicle financial reporting and the impact of underlying asset performance are reflected on the quarterly BA 501 regulatory return.

The group does not employ credit risk mitigation techniques to hedge credit risk on retained securitisation tranches.

Securitisation accounting policies

From an accounting perspective, traditional securitisations are treated as sales transactions. At inception, the assets are sold to a SPV at carrying value and no gains or losses are recognised. For synthetic securitisations, credit derivatives used in the transaction are recognised at fair value, with any fair value adjustments reported in profit or loss.

Securitisation entities are consolidated into FRIHL for financial reporting purposes. Any retained notes are accounted for as available-for-sale investment securities within the banking book. Liabilities as a result of securitisation vehicles are accounted for in line with group accounting policies for liabilities, provisions and contingent liabilities.

The group does not currently employ any form of warehousing prior to structuring a new securitisation transaction.

YEAR UNDER REVIEW

Turbo Finance 2	Turbo Finance 3	Turbo Finance 4
Following the redemption of the class A notes and subsequent purchase of the outstanding class B notes from the market, FirstRand was left as the sole investor in Turbo 2 via FirstRand Bank (London branch) and FirstRand International (Guernsey). Consequently, the transaction was early redeemed in full at the end of August 2014, with the underlying assets repurchased by MotoNovo (UK).	Turbo Finance 3 is performing as expected.	The 12-month revolving period ended in November 2014, with the notes amortising sequentially in order of seniority after that date.

Turbo Finance 5

Mandated arrangers, HSBC and JP Morgan, assisted FirstRand Bank (London branch) and MotoNovo (UK) in structuring a fifth securitisation under the Turbo Finance programme. As with Turbo 4, Turbo 5 was structured to include a 12-month revolving period. Timing of the transaction was opportune as the repurchased Turbo 2 assets assisted in upsizing Turbo 5 to GBP420 million. The following table summarises the note issuance.

Tranche	Final rating (Moody's/Fitch)	Credit enhancement	Amount (GBP million)	Spread
Class A	Aaa(sf)/AAA(sf)	12.80%	371.6	1m Libor + 0.47%
Class B	A+/Aa3(sf)	3.80%	37.7	1m Libor + 1.00%
Class C	BBB/Ba1	1.30%	10.7	5.00%
Class D	Unrated	0%	5.5	15.00%
Total			425.5	

FirstRand Bank (London branch) retained a portion of the class A tranche together with GBP24.7 million of the class B tranche. GBP8 million of the class B tranche was subsequently sold to investors.

Nitro 4

Launched in August 2011, Nitro 4 represented the group's fourth domestic traditional auto loan securitisation of assets originated by its vehicle finance business, WesBank. Strong asset performance together with good prepayment levels resulted in the full redemption of the investor-held tranches. With the remaining underlying assets representing less than 10% of the assets sold at inception, the clean-up call option was exercised. The legal process to repurchase the outstanding assets was completed in April 2015, with all notes fully redeemed on 14 May 2015.

Nitro 5

In June 2015, the group closed its fifth domestic traditional auto loan securitisation, Nitro 5. Nitro 5 is a cash securitisation of auto loans extended to obligors by WesBank. Nitro 5 was set up as an insolvency remote trust and issued R2 232 million of notes, rated by Standard & Poor's, to acquire the asset pool. The group used this opportunity to introduce some additional transaction features, such as a short-dated money market eligible tranche and full capital pass-through. The group (acting through RMB), was the arranger, manager and sponsor for the transaction. The interest rate swap is provided by the group with deal administration by RMB. The assets will continue to be serviced by WesBank.

The following table provides further detail regarding the notes issued.

Tranche	Final rating (Standard & Poor's)	Credit enhancement	Amount (R million)	Spread
Class A	zaA-1 (sf)/A-2 (sf)	77.0%	600	3m JIBAR + 0.90%
Class B	zaAAA (sf)/BBB (sf)	39.5%	900	3m JIBAR + 1.40%
Class C	zaAAA (sf)/BBB (sf)	19.5%	480	3m JIBAR + 1.50%
Class D	zaB (sf)/B (sf)	9.0%	252	3m JIBAR + 2.59%
Class E	zaCCC (sf)/CCC (sf)	5.5%	84	3m JIBAR + 3.50%
Class F	Unrated	2.0%	84	3m JIBAR + 4.25%
Class G	Unrated	0.0%	57	3m JIBAR + 5.00%
Total			2 457	

The class A to D notes have all been placed with investors, whereas classes E and F have been retained by the group.

Exposures intended to be securitised or resecuritised in the future

FirstRand uses securitisation primarily as a funding tool. The ability to securitise assets depends on the availability of assets to securitise, investor appetite for securitisation paper and comparison with alternative funding sources. All assets on the group's balance sheet are considered as possible exposures that could be securitised within the market constraints mentioned above. The group obtains SARB approval of the structure and limits imposed by the board on the size of assets that may be securitised.

Resecuritisation results from portfolio management actions and the size of the exposure is dependent on future market factors. This exposure is reported as part of the investor reporting process.

SECURITISATIONS AND CONDUITS PROFILE

Traditional securitisations

The following tables show the traditional securitisations currently in issue and the rating distribution of retained exposures. Whilst national scale ratings have been used in this table, global scale equivalent ratings are used for internal risk management purposes and regulatory capital reporting.

SECURITISATION TRANSACTIONS

R million	Asset type	Year initiated	Expected close	Rating agency	
Traditional securitisations**					
Nitro 4	Retail: Auto loans	2007	2015	Moody's	
Nitro 5	Retail: Auto loans	2015	2018	Standard & Poor's	
Turbo Finance 2	Retail: Auto loans	2012	2015	Moody's and Fitch	
Turbo Finance 3	Retail: Auto loans	2013	2015	Moody's and Fitch	
Turbo Finance 4	Retail: Auto loans	2013	2017	Moody's and Fitch	
Turbo Finance 5	Retail: Auto loans	2014	2018	Moody's and Fitch	
Total					

* *Does not include cash reserves.*

** *Includes transactions structured by the group and excludes third-party transactions.*

RATING DISTRIBUTION OF RETAINED AND PURCHASED SECURITISATION EXPOSURES*

R million	AAA	AA	AA-	A+	A	BBB+	BBB	BB	B+	CCC	Not Rated	Total
Traditional												
2015	**2 535**	**–**	**–**	**331**	**–**	**–**	**421**	**–**	**–**	**84**	**943**	**4 314**
2014	1 463	–	–	247	–	–	235	–	–	–	1 380	3 325
Third party												
2015	**–**	**252**	**–**	**101**	**–**	**–**	**–**	**–**	**–**	**–**	**7 379**	**7 732**
2014	504	–	–	–	–	–	–	–	–	–	–	504

* *Ratings by external credit assessment institutions.*

Resecuritisations

A resecuritisation exposure is a structure where the risk associated with an underlying pool of exposures is tranched and at least one of the underlying exposures is a securitisation. The group's asset-backed commercial paper conduits occasionally acquires securitisation paper, which is managed as part of the underlying portfolio. This represents a minimal portion of the total portfolio and is accounted for as a resecuritisation exposure for regulatory capital purposes.

RESECURITISATION EXPOSURE

	2015		2014	
Programme*	**Resecuritisation exposure (R million)**	**% of total programme**	**Resecuritisation exposure (R million)**	**% of total programme**
iVuzi	**8.8**	**11.0**	0.3	0.3

* *Excludes distributions relating to iNguza underlying exposure as this is driven by note holders and does not impact third parties.*

	Assets outstanding*		Notes outstanding		Retained exposure	
Assets securitised	**2015**	**2014**	**2015**	**2014**	**2015**	**2014**
3 982	**–**	576	**-**	717	**–**	268
2 399	**2 349**	–	**2 469**	–	**226**	–
4 037	**–**	1 067	**-**	1 189	**–**	488
4 570	**732**	1 907	**833**	2 108	**603**	574
6 095	**4 749**	6 516	**5 083**	6 881	**1 326**	1 995
7 790	**7 688**	-	**8 137**	-	**2 159**	–
28 873	**15 518**	10 066	**16 522**	10 895	**4 314**	3 325

Capital market programmes

The group has capital market programmes incorporated under both securitisation scheme and commercial paper regulations. The iNdwa and iVuzi conduit programmes are incorporated under securitisation scheme regulations. These are debt capital market vehicles, which provide investment-grade corporate South African counterparties with an alternative funding source to capital markets issuance via their own domestic medium-term debt programmes or traditional bank funding. It also provides institutional investors with highly-rated, short-term alternative investments. The call-loan vehicle, iNkotha, offers overnight borrowers and lenders an alternative to traditional overnight bank borrowings or overnight deposits.

The commercial paper programme, iNguza, issues bespoke notes to investors. These notes use the credit risk of separate and distinct transactions of a different underlying borrower or obligor. Note holders will have recourse only to the assets of the underlying transaction and will not have recourse to any other assets. Risk relating to the underlying transactions is transferred directly to note holders and managed by them according to their own risk appetite levels. Notes can either be unlisted or listed on the JSE and may be traded through JSE members.

Both the call-loan vehicle and the commercial paper programme have been incorporated under commercial paper regulations.

All assets originated for the conduit programmes are rigorously evaluated as part of the group's credit approval processes which are applicable to any other corporate exposure held by the group.

The conduit programmes have seen lower issuance volumes and assets under management in the past six months after the failure of ABIL. Issuance volumes are expected to remain low whilst the money market industry reassesses credit product appetite.

The following tables show the conduit programmes currently in place, rating distribution of the underlying assets and the role played by the group in each of these programmes.

CONDUIT PROGRAMMES*

R million	Underlying assets	Year initiated	Rating agency	Programme size	Non-recourse investments 2015	Non-recourse investments 2014	Credit enhancement provided 2015	Credit enhancement provided 2014
Securitisations**								
iNdwa	Corporate and structured finance term loans	2003	Fitch	15 000	**2 322**	4 420	**–**	–
iVuzi	Corporate and structured finance term loans	2007	Fitch	15 000	**3 395**	3 871	**1 022**	1 044
Total				30 000	**5 717**	8 291	**1 022**	1 044
Fixed income fund#								
iNkotha	Overnight corporate loans	2006	GCR†	10 000	**2 160**	2 937	**–**	–
Total				10 000	**2 160**	2 937	**–**	–
Commercial paper programme#								
iNguza	Corporate and structured finance term loans	2008	GCR†	15 000	**10 071**	9 482	**–**	–
Total				15 000	**10 071**	9 482	**–**	–

* *Conduit programmes are consolidated into FRIHL for financial reporting purposes.*

** *Conduits incorporated under regulations relating to securitisation scheme.*

Conduits incorporated under regulations relating to commercial paper.

† *Global credit rating.*

RATING DISTRIBUTION OF CONDUITS*

R million	AAA(zaf)	AA+(zaf)	AA(zaf)	AA-(zaf)	A+(zaf)	A(zaf)	A-(zaf)	Credit opinion	Total
Securitisations									
2015	**–**	**1 652**	**1 229**	**–**	**204**	**–**	**–**	**2 632**	**5 717**
2014	674	1 054	2 744	250	1 247	1 533	789	–	8 291
Fixed income funds									
2015	**–**	**–**	**207**	**439**	**544**	**495**	**475**	**–**	**2 160**
2014	–	270	367	422	798	610	470	–	2 937

* *Excludes distributions relating to iNguza underlying exposure as this is driven by note holders and does not impact third parties. Includes both public ratings as well as credit opinions. Where the rating is public it is shown in its rating bucket. Credit opinions are for the benefit of the issuer and not intended for distribution.*

Liquidity facilities

The following table provides a summary of the liquidity facilities provided by the group.

LIQUIDITY FACILITIES

R million	Transaction type	2015	2014
Own transactions		**4 599**	4 363
iNdwa	Conduit	**2 274**	3 204
iVuzi	Conduit	**2 325**	1 159
Third party transactions	Securitisations	**175**	214
Total		**4 774**	4 577

All liquidity facilities granted to the transactions in the table above rank senior in terms of payment priority in the event of a drawdown. Economic capital is allocated to the liquidity facility extended to iNdwa and iVuzi as if the underlying assets were held by the group.

Securitisation risk and regulatory capital

Capital against securitisation exposures is based on the appropriate approach under the Regulations. The supervisory formula is used for conduits and the ratings-based approach has been selected for remaining exposures. Capital calculated under both of these approaches is limited to the capital that would have been held had the assets remained on-balance sheet. The following table provides the securitisation exposures retained or purchased as well as the associated capital requirement per risk band.

RETAINED OR PURCHASED SECURITISATION EXPOSURE AND ASSOCIATED REGULATORY CAPITAL CHARGES

	Exposure		RWA		Capital*	
R million	**2015**	**2014**	**2015**	**2014**	**2015**	**2014**
Risk weighted bands						
≤10%	**101**	3 464	**11**	671	**1**	67
>10% ≤20%	**2 973**	2 167	**586**	423	**59**	42
>20% ≤50%	**2 275**	–	**1 064**	–	**106**	–
>50% ≤100%	**319**	30	**160**	23	**16**	2
>100% ≤650%	**421**	206	**1 473**	720	**147**	72
1250%/deduction	**1 028**	1 380	**12 849**	13 798	**1 285**	1 380
Look through	**10 726**	2 303	**3 947**	1 087	**395**	109
Total	**17 843**	9 550	**20 090**	16 722	**2 009**	1 672

* *Capital is calculated at the SARB transitional minimum requirement of 10% for 2015 (excluding the bank-specific individual capital requirement) and includes a 6% capital scalar.*

The group did not securitise any exposures that were impaired or past due at the time of securitisation.

COUNTERPARTY CREDIT RISK

INTRODUCTION AND OBJECTIVES

Counterparty credit risk is the risk of a counterparty to a contract, transaction or agreement defaulting prior to the final settlement of the transaction's cash flows.

Counterparty credit risk measures a counterparty's ability to satisfy its obligations under a contract that has positive economic value to the group at any point during the life of the contract. It differs from normal credit risk in that the economic value of the transaction is uncertain and dependent on market factors that are typically not under the control of the group or the client.

Counterparty credit risk is a risk taken mainly in the group's trading and securities financing businesses. The objective of counterparty credit risk management is to ensure that this risk is appropriately measured, analysed and reported on, and is only taken within specified limits in line with the group's risk appetite framework as mandated by the board.

ORGANISATIONAL STRUCTURE AND GOVERNANCE

RMB's credit department is responsible for the overall management of counterparty credit risk. It is supported by RMB's derivative counterparty risk department which is responsible for ensuring that market and credit risk methodologies are consistently applied in the quantification of risk.

Counterparty credit risk is managed on the basis of the principles, approaches, policies and processes set out in the credit risk management framework for wholesale credit exposures.

In this respect, counterparty credit risk governance aligns closely with the group's credit risk governance framework, with mandates and responsibilities cascading from the board through the RCC committee to the respective credit committees and subcommittees as well as deployed and central risk management functions. Refer to the *risk governance* section and organisational structure and governance in the *credit risk* section for more details.

The derivative counterparty risk committee supports the credit risk management committee and its subcommittees with analysis and quantification of counterparty credit risk for traded product exposures.

ASSESSMENT AND MANAGEMENT

The measurement of counterparty credit risk aligns closely with credit risk measurement practices and is focused on establishing appropriate limits at a counterparty level and ongoing portfolio risk management. The quantification of risk exposure is described in the following diagram.

QUANTIFICATION OF COUNTERPARTY CREDIT RISK EXPOSURE

QUANTIFICATION OF EXPOSURE

Quantification methodologies:
- over the life of a product;
- under distressed market conditions; and
- used to determine risk limits.

Individual counterparty risk limits

Overall limits allocated to products

ASSESSMENT AND APPROVAL

Relevant technical committees

Derivative counterparty risk management committee

RISK FUNCTIONS

- review limits annually;
- monitor exposures daily; and
- prepare desk level reports to ensure sufficient limit available prior to additional trades.

ASSESSMENT AND APPROVAL

- quantify exposure and risk;
- manage facility utilisation within approved credit limits;
- monitor counterparty creditworthiness to ensure early identification of high-risk exposures;
- review facilities at certain intervals;
- manage collateral;
- manage high-risk (watch list) exposures;
- manage collections and workout process for defaulted assets; and
- report counterparty credit risk.

Counterparty credit risk mitigation

Where appropriate, various instruments are used to mitigate the potential exposure to certain counterparties. These include financial or other collateral in line with common credit risk practices, as well as netting agreements, guarantees and credit derivatives. In addition, the group has set up a function to clear OTC derivatives centrally as part of risk mitigation.

The group uses international swaps and derivatives association (ISDA) and international securities market association agreements for the purpose of netting derivative transactions and repurchase transactions, respectively. These master agreements as well as associated credit support annexes (CSA) set out internationally accepted valuation and default covenants, which are evaluated and applied daily, including daily margin calls based on the approved CSA thresholds.

Credit valuation adjustment

CVA refers to the fair value adjustment to reflect counterparty credit risk in the valuation of derivative contracts. In essence, it is the mark-to-market adjustment required to account for credit quality deterioration experienced by a derivative counterparty. Under Basel III regulations, banks are required to hold capital for CVA risk. South African banks have in the past been exempt from holding capital for CVA risk as there was no suitably scaled rand derivative OTC clearing house. This CVA capital exemption has, however, lapsed effective 1 April 2015, which has increased counterparty credit risk RWA.

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Collateral to be provided in the event of a credit rating downgrade

In rare instances, FirstRand has signed ISDA agreements where both parties would be required to post additional collateral in the event of a rating downgrade. The additional collateral to be provided by the group in the event of a credit rating downgrade is not material and would not adversely impact its financial position. The group is phasing out ISDA agreements with these provisions. The number of trades (and associated risk) with counterparties with these types of agreements is also immaterial.

When assessing the portfolio in aggregate, the collateral that the group would need to provide in the event of a rating downgrade is subject to many factors, including market moves in the underlying traded instruments and netting of existing positions.

While these variables are not quantifiable, the following table, in addition to showing the effect of counterparty credit risk mitigation, provides a guide to the order of magnitude of the netted portfolio size and collateral placed with the group. In aggregate, all positive mark-to-market values shown would need to reverse before the group would be a net provider of collateral.

COUNTERPARTY CREDIT RISK PROFILE

The following table provides an overview of the counterparty credit risk arising from the group's derivative and structured finance transactions.

COMPOSITION OF COUNTERPARTY CREDIT EXPOSURE

R million	2015	2014
Gross positive fair value*	**81 997**	97 882
Netting benefits	**(15 619)**	(11 650)
Netted current credit exposures before mitigation	**66 378**	86 232
Collateral value	**(57 108)**	(76 413)
Netted potential future exposure	**13 864**	11 702
Exposure at default**	**31 073**	24 488

* *The decrease in gross positive fair value is due to new interpretation of gross repurchase agreement exposure.*

** *Includes exposures calculated under both the standardised and current exposure method. EAD under the standardised method is quantified by scaling either the current credit exposure less collateral or the net potential future exposure by a factor of 1.4. The latter explains why the summation of the netted current exposure, collateral value and netted potential future exposure in the table above differs from computed EAD.*

The group employs credit derivatives primarily for the purposes of protecting its own positions and for hedging its credit portfolio, as indicated in the following tables.

CREDIT DERIVATIVES EXPOSURE

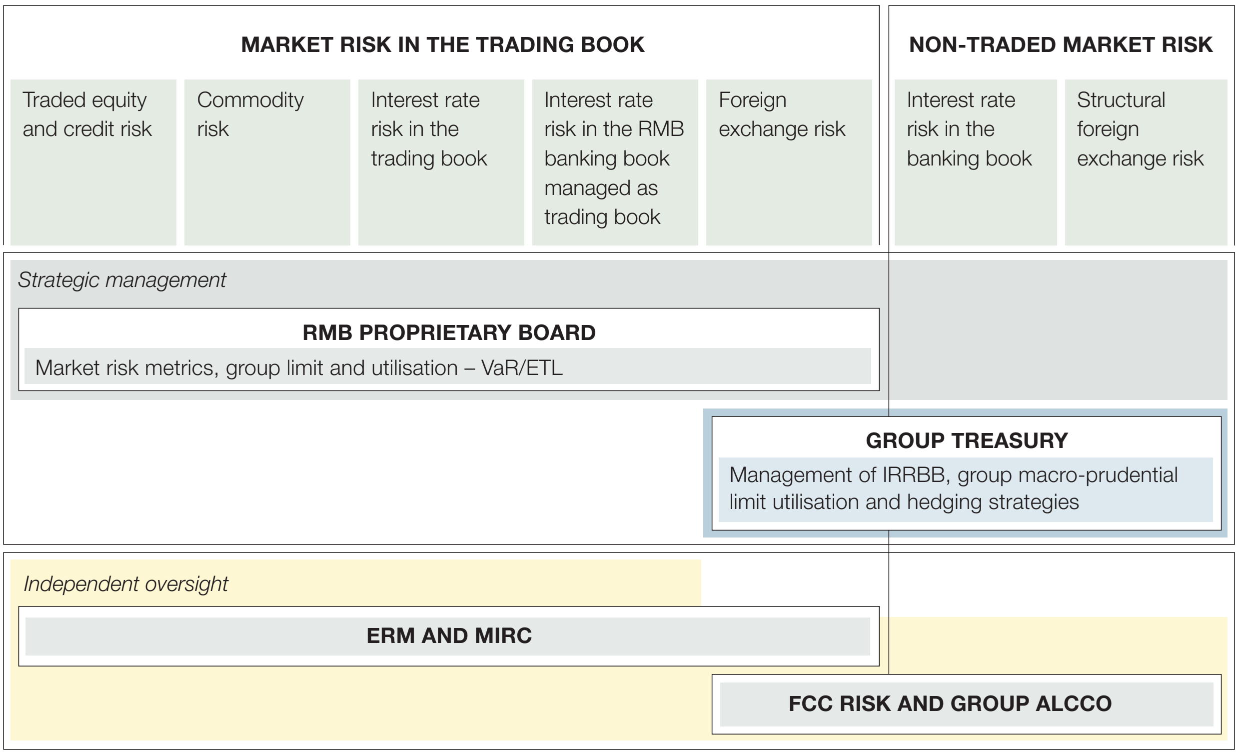
	2015			
R million	**Credit default swaps**	**Total return swaps**	**Other**	**Total**
Own credit portfolio				
– protection bought	**–**	**–**	**–**	**–**
– protection sold	**105**	**–**	**–**	**105**
Intermediation activities				
– protection bought	**13 624**	**–**	**–**	**13 624**
– protection sold	**5 356**	**–**	**–**	**5 356**

	2014			
R million	**Credit default swaps**	**Total return swaps**	**Other**	**Total**
Own credit portfolio				
– protection bought	–	–	–	–
– protection sold	127	–	–	127
Intermediation activities				
– protection bought	3 555	–	–	3 555
– protection sold	5 787	–	–	5 787

MARKET RISK IN THE TRADING BOOK

The group distinguishes between market risk in the trading book and non-traded market risk. The following diagram describes the traded and non-traded market risks and the governance bodies responsible for managing them.

TRADED AND NON-TRADED MARKET RISK ELEMENTS



INTRODUCTION AND OBJECTIVES

Market risk in the trading book is the risk of adverse revaluation of any financial instrument as a consequence of changes in market prices or rates.

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

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

Management and monitoring of the FirstRand domestic banking book is split between the RMB book and the remaining domestic banking book. RMB manages the majority of its banking book under the market risk framework, with risk measured and monitored in conjunction with the trading book and management oversight provided by the market and investment risk committee. The RMB banking book interest rate risk exposure was R49.6 million on a 10-day ETL basis at 30 June 2015 (2014: R35.2 million). Interest rate risk in the remaining domestic banking book is discussed in the *interest rate risk in the banking book* section.

ORGANISATIONAL STRUCTURE AND GOVERNANCE

MARKET RISK IN THE TRADING BOOK GOVERNANCE STRUCTURE

FirstRand board

RCC COMMITTEE

Reviews reports on:

- adequacy and robustness of market risk identification, management and control; and
- current and projected credit risk profile.

MODEL RISK AND VALIDATION COMMITTEE

- validation and approval of changes to internal VaR models for regulatory and economic capital.

MARKET AND INVESTMENT RISK COMMITTEE

- oversight of market risk exposures, profile and management across the group; and
- monitors implementation of the market and investment risk framework.

The market and investment risk framework (a subframework of BPRMF) prescribes the governance structures, roles, responsibilities and lines of accountability for market risk management.

ERM

- independent view of the market risk profile;
- oversight of market risk management practices;
- monitors implementation of the market and investment risk framework.

RMB PROPRIETARY BOARD

- RMB's risk and regulatory committee and a subcommittee of the RMB divisional board;
- defines RMB's portfolio and risk/reward appetite;
- ensures that business remains within the approved appetite levels;
- approves strategies and allocates limits for business unit market risk position taking across the group; and
- monitors implementation of the RMB market investment risk framework.

RMB RISK AND OVERSIGHT COMMITTEE (ROC)

- the independent oversight of all risk types within RMB's South African and foreign operations; and
- receives input from the business unit and in-country risk committees as appropriate.

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ASSESSMENT AND MANAGEMENT

Quantification of risk exposures

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

ETL	The internal measure of risk is an ETL metric at the 99% confidence level under the full revaluation methodology using historical risk factor scenarios (historical simulation method). In order to accommodate the regulatory stress loss imperative, the set of scenarios used for revaluation of the current portfolio comprises historical scenarios which incorporate both the past 260 trading days and at least one static period of market distress. The ETL is liquidity adjusted for illiquid exposures. Holding periods, ranging between 10 and 90 days or more, are used in the calculation and are based on an assessment of distressed liquidity of portfolios.
VaR	VaR is calculated at the 99% 10-day actual holding period level using data from the past 260 trading days. For regulatory capital purposes this is supplemented with a sVaR, calculated using a pre-defined static stress period (2008/2009). VaR calculations over a holding period of one day are used as an additional tool in the assessment of market risk. The group's VaR number should be interpreted in light of the limitations of this methodology, namely: • historical simulation VaR may not provide an accurate estimate of future market moves; • the use of a 99% confidence level does not reflect the extent of potential losses beyond that percentile – the ETL is a better measure to quantify losses beyond that percentile (but still subject to similar limitations as stated for VaR); • the use of a 1-day time horizon is not a fair reflection of profit or loss for positions with low trading liquidity, which cannot be closed out or hedged within one day; • as exposures and risk factors can change during daily trading, exposures and risk factors are not necessarily captured in the VaR calibration which uses end-of-day trading data; and • where historical data is not available, time series data is approximated or backfilled using appropriate quantitative methodologies. Use of proxies is, however, limited. These limitations mean that the group cannot guarantee that losses will not exceed VaR. Recognising its limitations, VaR is supplemented with stress testing to evaluate the potential impact on portfolio values of more extreme, though plausible, events or movements in a set of financial variables.

Risk concentrations in the market risk environment are controlled by means of appropriate ETL sublimits for individual asset classes and the maximum allowable exposure for each business unit. In addition to the general market risk limits described above, limits covering obligor-specific risk and event risk were introduced and utilisation against these limits is monitored continuously, based on the regulatory building block approach.

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Stress testing

Stress testing provides an indication of potential losses that could occur under extreme market conditions. The ETL assessment provides a view of risk exposures under stress conditions.

Additional stress testing, to supplement the ETL assessment, is conducted using historical market downturn scenarios and includes the use of what-if hypothetical and forward-looking simulations. Stress test calibrations are reviewed regularly to ensure that results are indicative of the possible impact of severely distressed and event-driven market conditions. Stress and scenario analyses are regularly reported to and considered by the relevant governance bodies.

Earnings volatility

A key element of the group's risk appetite framework is an assessment of potential earnings volatility that may arise from underlying activities. Earnings volatility for market risk is quantified by subjecting key market risk exposures to predetermined stress conditions, ranging from business-as-usual stress through severe stress and event risks.

In addition to assessing the maximum acceptable level of earnings volatility, stress testing is used to understand sources of earnings volatility and highlight unused capacity within the group's risk appetite. Market risk earnings volatility is calculated and assessed on a quarterly basis.

Back testing

Back testing is performed to verify the predictive ability of the VaR model and ensure ongoing appropriateness. The regulatory standard for back testing is to measure daily profits and losses against daily VaR at the 99th percentile. The number of breaches over a period of 250 trading days is calculated, and, should the number exceed that which is considered appropriate, the model is recalibrated.

Regulatory and economic capital for market risk

The internal VaR model for general market risk was approved by the SARB for local trading units and is consistent with the methodologies stipulated in the Basel III framework. For all international entities, the standardised approach is used for regulatory market risk capital purposes. Economic capital for market risk is calculated using liquidity-adjusted ETL plus an assessment of specific risk.

MARKET RISK IN THE TRADING BOOK PROFILE

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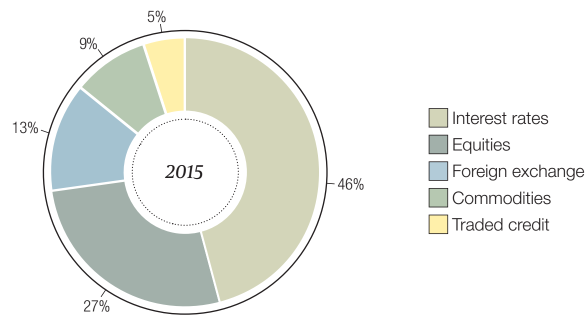
The following chart shows the distribution of exposures per asset class across the group's trading activities at 30 June 2015 based on the VaR methodology. VaR equity exposure shown relates mainly to listed equity exposures in RMB Australia which relate to the RMB resources portfolio. These exposures are predominantly in the junior resources sector and are reflected on the RMB Australia balance sheet. This risk is measured on a 90-day liquidity adjusted basis.

The overall asset class mix has remained consistent with the prior year. The interest rate asset class represented the most significant exposure at year end.

VaR EXPOSURE PER ASSET CLASS



VaR analysis by risk type

The following table reflects VaR over a 1-day holding period at a 99% confidence level. Results indicate that overall levels of market risk reduced between June 2014 and June 2015. The most notable change when compared to the prior year relates to the interest rate component. This is attributed to a combination of disciplined risk and inventory management by the portfolio managers.

Over the last financial year, improvements have been made to the commodities business by growing the investment product and hedge products offerings along the commodity value chain.

1-DAY 99% VAR ANALYSIS BY INSTRUMENT

	2015				2014
R million	**Min***	**Max***	**Average**	**Period end**	**Period end**
Risk type					
Equities	**10.6**	**34.0**	**19.3**	**19.1**	18.2
Interest rates**	**21.2**	**60.4**	**36.7**	**32.5**	49.6
Foreign exchange	**5.4**	**31.5**	**13.4**	**9.1**	11.2
Commodities	**2.0**	**10.4**	**5.2**	**6.0**	3.3
Traded credit	**1.6**	**6.6**	**3.3**	**3.6**	2.6
Diversification effect	**–**	**–**	**–**	**(22.9)**	(26.2)
Diversified total	**27.5**	**86.5**	**49.8**	**47.3**	58.7

* *The maximum and minimum VaR figures for each asset class did not necessarily occur on the same day. Consequently, a diversification effect was omitted from the above table.*

** *Interest rate risk in the trading book.*

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The following table reflects 10-day VaR and sVaR at the 99% confidence level at 30 June 2015. The 10-day VaR calculation is performed using 10-day scenarios created from the past 260 trading days, whereas the 10-day sVaR is calculated using scenario data from the static stress period. The results reflected in the following table are consistent with those mentioned above.

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10-DAY 99% VAR AND SVAR ANALYSIS BY INSTRUMENT

	2015								2014	
	VaR				**sVaR**				**Period end**	
R million	**Min***	**Max***	**Average**	**Period end**	**Min**	**Max**	**Average**	**Period end**	**VaR**	**sVaR**
Risk type										
Equities	**23.9**	**66.2**	**43.6**	**49.1**	**9.9**	**146.3**	**71.8**	**86.5**	41.5	29.3
Interest rates**	**45.8**	**134.1**	**81.4**	**76.7**	**66.0**	**194.6**	**114.8**	**78.9**	78.6	137.0
Foreign exchange	**10.5**	**67.6**	**29.4**	**14.7**	**5.3**	**127.7**	**40.9**	**15.6**	32.2	24.3
Commodities	**5.2**	**32.1**	**15.1**	**13.8**	**8.1**	**72.0**	**29.9**	**42.2**	6.9	12.9
Traded credit	**3.5**	**19.1**	**7.3**	**13.0**	**3.7**	**14.9**	**8.0**	**13.4**	4.6	5.5
Diversification effect	**–**	**–**	**–**	**(79.3)**	**–**	**–**	**–**	**(170.4)**	(39.0)	(57.5)
Diversified total	**50.5**	**182.1**	**112.0**	**88.0**	**48.6**	**218.1**	**116.6**	**66.3**	124.9	151.5

* *The maximum and minimum VaR figures for each asset class did not necessarily occur on the same day. Consequently, a diversification effect was omitted from the above table.*

** *Interest rate risk in the trading book.*

Other risk measures

Other risk factors are considered in the assessment and management of market risk. These include interest rate and equity specific risk. Specific risk accurately measures idiosyncratic risk not captured by general market risk measures for interest rate and equity risk, such as default, credit migration and event risks, and identifies concentrations in a portfolio. The following table represents the group's specific risk. The increase in interest rate specific risk emanates from the local balance sheet and is mainly a result of an increase in bond exposures to Indian financial institutions. The equity specific risk decreased year-on-year owing to a decrease in listed equity exposures in RMB Australia which relate to the RMB resources portfolio.

SPECIFIC RISK CAPITAL*

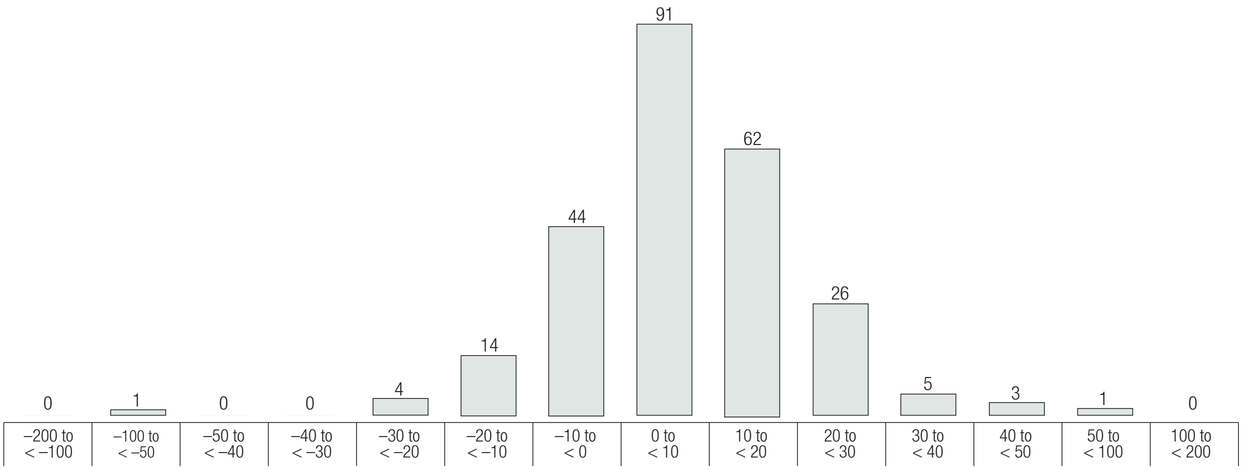
R million	**2015**	**2014**
Interest rate specific risk	**140**	99
Equity specific risk	**37**	85
Total	**177**	184

* *Capital calculated at the SARB transitional minimum requirement of 10% (excluding the bank-specific individual capital requirement).*

Distribution of daily trading earnings from trading units

The following histogram shows the daily revenue for the group's local trading units for the year. The results are skewed towards profitability.

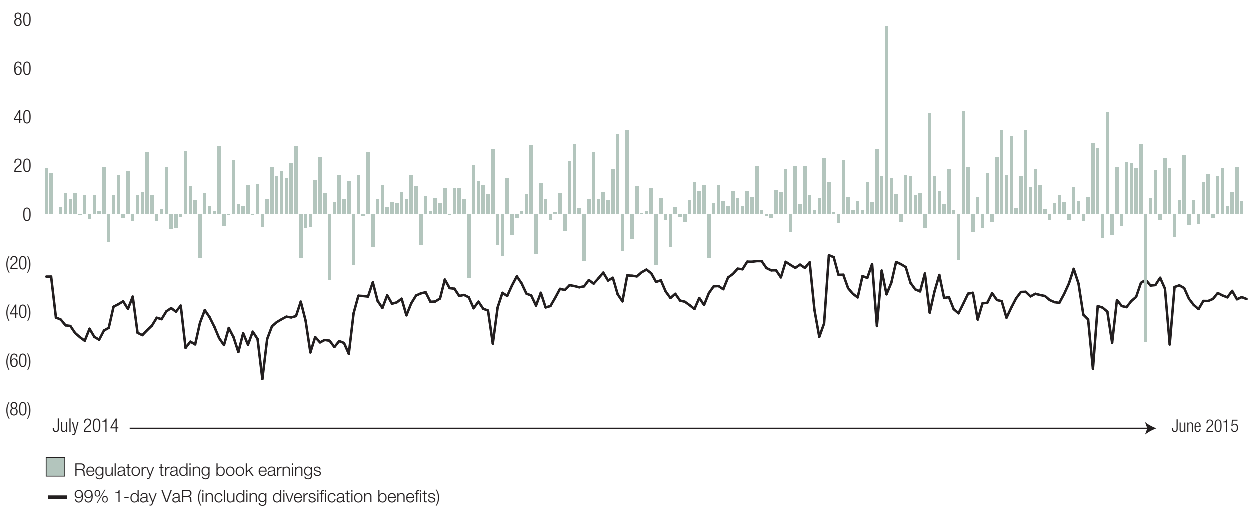
DISTRIBUTION OF DAILY EARNINGS – FREQUENCY
Days in a period



Back testing: daily regulatory trading book earnings versus 1-day 99% VaR

The group tracks its daily local earnings profile as illustrated in the following chart. The earnings and 1-day VaR relate to the group's internal VaR model. Exposures were contained within risk limits during the trading period.

BACK TESTING: DAILY REGULATORY TRADING BOOK EARNINGS VERSUS 1-DAY 99% VaR
R million



Trading book earnings exceeded 1-day VaR on one occasion during the year under review. This indicates a good quantification of market risk provided by the group's internal model.

International entities

RMB Australia, FirstRand Bank (India and London branches) and the group's subsidiaries in the rest of Africa hold exposures to market risk. RMB Australia, and the India and London branches are measured and managed on the same basis as the local portfolios, with regulatory capital based on the regulatory standardised approach. The subsidiaries in the rest of Africa are measured using the regulatory standardised approach for regulatory capital and an internal stress loss methodology for internal measurement of risk. At 30 June 2015, the subsidiaries in the rest of Africa collectively held the majority of market risk exposures when compared to the other international entities listed above.

Rest of Africa

Activities across the rest of Africa, in particular in Nigeria, continued to grow during the year. There was a notable increase in interest rate risk, driven mainly by the Nigeria operations. Market risk was contained within acceptable stress loss limits and effectively managed across the subsidiaries during the year under review.

MARKET RISK STANDARDISED APPROACH REGULATORY CAPITAL FOR THE AFRICAN SUBSIDIARIES

	2015				2014
R million	**Min**	**Max**	**Average**	**Period end**	**Period end**
Risk type					
Interest rates	**0.9**	**46.0**	**22.3**	**30.1**	7.4
Foreign exchange	**1.2**	**17.0**	**10.2**	**13.5**	16.0
Total	**2.1**	**63.0**	**32.5**	**43.6**	23.4

FRIHL

The table reflects VaR over a 1-day holding period at a 99% confidence level for FRIHL. Market risk in FRIHL relates to the activities in RMB Australia and RMB Securities Trading (Pty) Ltd (RST), and represents a subset of the VaR analysis by asset class reflected above for the group. Overall levels of risk have reduced.

1-DAY VAR ANALYSIS FOR FRIHL

	2015				2014
R million	**Min***	**Max***	**Average**	**Period end**	**Period end**
Diversified total	**2.8**	**35.1**	**12.7**	**10.7**	13.3

* *The maximum and minimum VaR figures for each asset class did not necessarily occur on the same day. Consequently, a diversification effect was omitted from the above table.*

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Regulatory market risk for FRIHL is measured using the standardised approach. Commensurate with the decrease in VaR observed above, market risk capital calculated using the regulatory standardised approach decreased since the previous year.

R million	**2015**	**2014**
Specific risk	**9**	42
General risk	**31**	51

* *The FRIHL regulatory market risk numbers comprise RST and RMB resources.*

NON-TRADED MARKET RISK

INTRODUCTION AND OBJECTIVES

For non-traded market risk, the group distinguishes between interest rate risk in the banking book and structural foreign exchange risk. The following table describes how these risks are measured, managed and governed.

Risk and jurisdiction	Risk measure	Managed by	Oversight
Interest rate risk in the banking book			
Domestic – FNB, WesBank and FCC balance sheet	• 12-month earnings sensitivity; and • economic sensitivity of open risk position.	Group Treasury	FCC risk management and group ALCCO.
Subsidiaries in rest of Africa and international branches	• 12-month earnings sensitivity; and • economic sensitivity of open risk position.	In-country management	Group Treasury FCC Risk Management International ALCCO
Structural foreign exchange			
Group	• total capital in a functional currency other than rand; • impact of translation back to rand reflected in group; and • foreign currency translation reserve value.	Group Treasury	ALCCO

INTEREST RATE RISK IN THE BANKING BOOK

Overview

IRRBB relates to the sensitivity of a bank's financial position and earnings to unexpected, adverse movements in interest rates.

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

The endowment effect, which results from a large proportion of non- and low-rate liabilities that fund variable-rate assets, remains the primary driver of IRRBB and results in the group's earnings being vulnerable to interest rate cuts, or conversely benefiting from a hiking cycle.

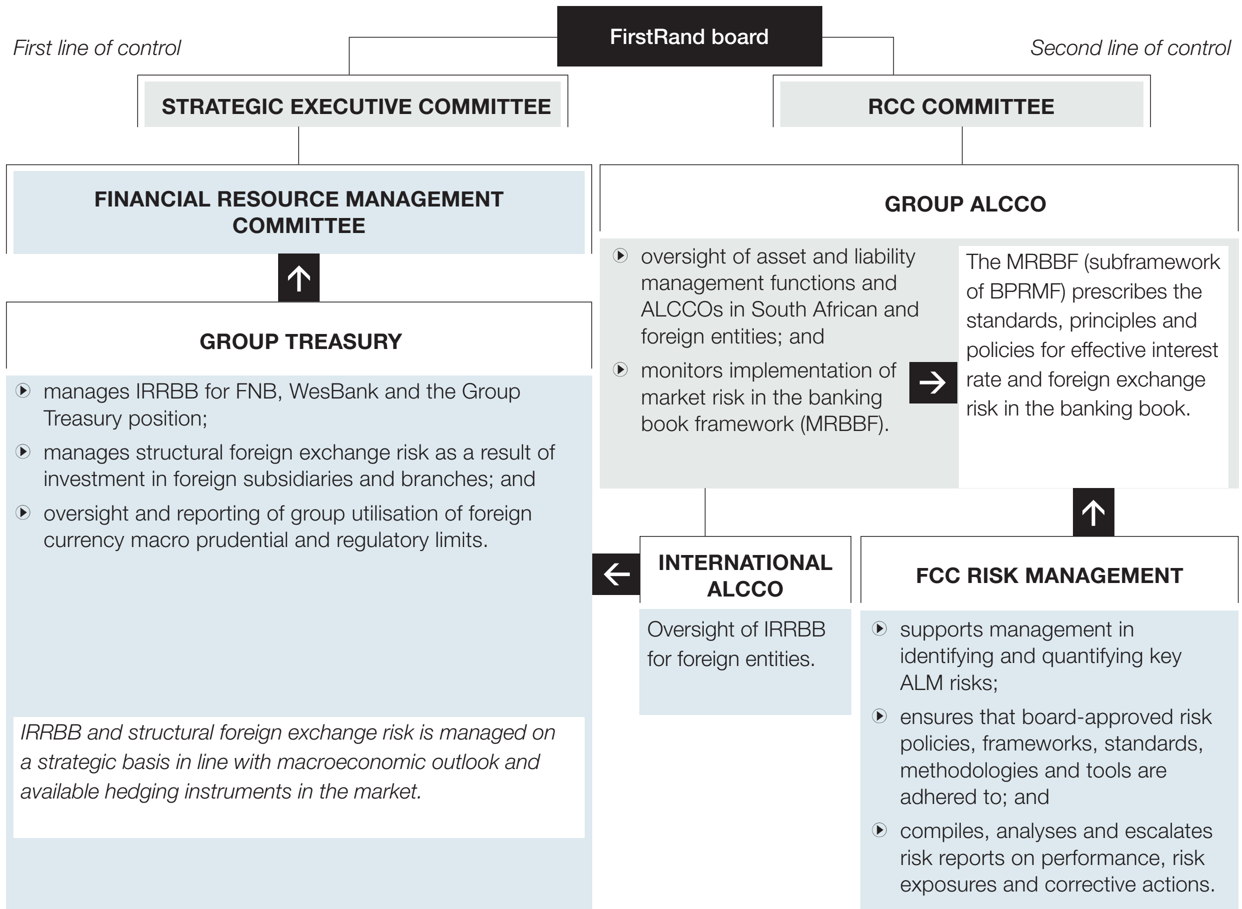
IRRBB is an inevitable risk associated with banking and can be an important source of profitability and shareholder value. FirstRand continues to manage IRRBB on an earnings approach, with the aim to protect and enhance the group's earnings and economic value through the cycle within approved risk limit and appetite levels. The endowment hedge portfolio is managed dynamically taking into account the continuously changing macroeconomic environment.

At the beginning of 2014, the SARB communicated that South Africa was entering a hiking cycle. The subsequent increase in the repo rate positively impacted margins as a result of the endowment effect.

Strategic hedge positions are in place to protect the group's net interest margin against macroeconomic uncertainty which can impact the timing and extent of the hiking cycle, and protects group earnings should rates remain lower for longer. These hedges are actively monitored along with macroeconomic factors impacting rates in the domestic economy, as well as the foreign entities.

Organisational structure and governance

IRRBB GOVERNANCE STRUCTURE



Assessment and management

FirstRand Bank (South Africa)

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

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

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Foreign entities

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

INTEREST RATE RISK MANAGEMENT AND ASSESSMENT

Sensitivity analysis

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

Earnings sensitivity

Earnings models are run on a monthly basis to provide a measure of the NII sensitivity of the existing banking book balance sheet to shocks in interest rates. Underlying transactions are modelled on a contractual basis, assuming a constant balance sheet size and mix. No adjustments are made for prepayments in the underlying book, however, prepayment assumptions are factored into the calculation of hedges for fixed rate lending. Rollover assumptions are not applied to off-balance sheet positions. A pass-through assumption is applied in relation to non-maturing deposits, which reprice at the group's discretion. This assumption is based on historical product behaviour.

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The following tables show the 12-month NII sensitivity for sustained, instantaneous parallel 200 bps downward and upward shocks to interest rates. The increased sensitivity is attributable to strategic hedges put in place to manage the margin impact of the capital and deposit endowment books through the cycle. At June 2015, the book was positioned to benefit from a hiking cycle whilst protecting against rate uncertainty. Given current uncertainty on the length and extent of the hiking cycle, the endowment book is actively managed.

The bulk of the NII sensitivity relates to the endowment book mismatch. The group's average endowment book was R137 billion for the year. Total sensitivity in the bank is measured to rand rate moves and to local currency moves in the subsidiaries in the rest of Africa.

PROJECTED NII SENSITIVITY TO INTEREST RATE MOVEMENTS*

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

* *The earnings modelling process and roll-over assumptions applied are not subject to the scope of reasonable assurance.*

	2014		
	Change in projected 12-month NII		
R million	**FirstRand Bank**	**Subsidiaries in the rest of Africa**	**FirstRand**
Downward 200 bps	(2 258)	(421)	(2 679)
Upward 200 bps	2 218	363	2 581

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

Economic value of equity

An EVE sensitivity measure is used to assess the impact on the total NAV of the group as a result of a shock to underlying rates. Unlike the trading book, where a change in rates will impact fair value income and reportable earnings of an entity when a rate change occurs, the realisation of a rate move in the banking book will impact the distributable and non-distributable reserves of the entity to varying degrees and is reflected in the NII margin more as an opportunity cost/benefit over the life of the underlying instruments/positions. As a result, a purely forward-looking EVE measure applied to the banking book, be it a 1 bps shock or a full stress shock, is monitored relative to total risk limit, appetite levels and current economic conditions.

The EVE shock applied is based on regulatory guidelines and incorporates sustained, instantaneous parallel 200 bps downward and upward shocks to interest rates. This is applied to risk portfolios managed by Group Treasury which, as a result of the risk transfer through the internal funds transfer pricing process, captures relevant open risk positions in the banking book. This measure does not take into account the unrealised economic benefit embedded as a result of the banking book products which are not recognised at fair value.

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The following table:

- highlights the sensitivity of banking book NAV as a percentage of total capital;
- reflects a point-in-time view, which is dynamically managed and can change significantly in a short space of time; and
- excludes the banking book managed by RMB and the foreign operations' banking books, which are separately managed.

BANKING BOOK NAV SENSITIVITY TO INTEREST RATE MOVEMENTS AS A PERCENTAGE OF TOTAL GROUP CAPITAL

%	2015	2014
Downward 200 bps	**0.52**	0.25
Upward 200 bps	**(0.59)**	(0.28)

The increase in NAV sensitivity in the year under review is attributable to active management of strategic hedges. In June 2015, hedges were being allowed to roll off in anticipation of a hiking cycle. This disclosure differs from previous EVE sensitivity disclosures as it looks at the economic sensitivity of the banking book as a whole as opposed to only the sensitivity of products impacting the cash flow and available-for-sale reserves.

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STRUCTURAL FOREIGN EXCHANGE RISK

Overview

Foreign exchange risk is the risk of an adverse impact on the group's financial position and earnings as a result of movements in foreign exchange rates impacting balance sheet exposures.

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

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

Structural foreign exchange risk as a result of net investments in entities with a functional currency other than rand is an unavoidable consequence of having offshore operations and can be a source both of investor value through diversified earnings, as well as unwanted volatility as a result of rand fluctuations. Group Treasury is responsible for actively monitoring the net capital invested in foreign entities, as well as the rand value of any capital investments and dividend distributions.

Organisational structure and governance

Reporting and management for the group's foreign exchange exposure and macro prudential limit utilisation is centrally owned by Group Treasury as the clearer of all currency positions in the group. Group Treasury is also responsible for oversight of structural foreign exchange risk, reporting through to group ALCCO, a subcommittee of the RCC committee. Refer to the governance structure in the *interest rate risk in the banking book* section.

Assessment and management

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

Foreign exchange risk in the banking book comprises funding and liquidity management and risk mitigating activities which are managed to low levels. To minimise funding risk across the group, foreign currency transactions are matched where possible, with residual liquidity risk managed centrally by Group Treasury (see *funding and liquidity* section).

Structural foreign exchange risk impacts both the current NAV of the group as well as future profitability and earnings potential. Economic hedging is done where viable, given market constraints and within risk appetite levels. Where possible, hedge accounting is applied. Any open hedges are included as part of *market risk in the trading book*.

Foreign exchange and translation risk profile

The following table provides an overview of the group's exposure to entities with functional currencies other than rand. There were no significant structural hedging strategies in the current financial year.

NET STRUCTURAL FOREIGN EXPOSURES

Functional currency R million	2015	2014
Botswana pula	**3 273**	2 996
United States dollar	**2 774**	2 712
Sterling	**1 975**	889
Nigerian naira	**1 135**	1 068
Australian dollar	**987**	1 298
Zambian kwacha	**890**	835
Mozambican metical	**702**	693
Indian rupees	**720**	570
Tanzanian shilling	**236**	375
Common monetary area (CMA) countries*	**4 505**	3 801
Total	**17 197**	15 237

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

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EQUITY INVESTMENT RISK

INTRODUCTION AND OBJECTIVES

Equity investment risk is the risk of an adverse change in the fair value of an investment in a company, fund or any other financial instrument, whether listed, unlisted or bespoke.

Equity investment risk arises primarily from equity exposures from investment banking and private equity activities in RMB, e.g. exposures to equity risk arising from principal investments or structured lending. During the current financial year, RMB made a strategic decision to exit the RMB resources business which will be wound down over the next two years.

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

Ashburton Investments, the group's investment management business, also contributes to equity investment risk. This risk emanates from the seeding of new traditional and alternative funds, both locally and offshore, which exposes the group to equity investment risk until these investments are taken up by external parties.

The group continues to monitor regulatory developments and assesses the impact on its equity investment risk processes and profile. The overall quality of the investment portfolio remains acceptable and within risk appetite.

ORGANISATIONAL STRUCTURE AND GOVERNANCE

EQUITY INVESTMENT RISK GOVERNANCE STRUCTURE

FirstRand board

LARGE EXPOSURES COMMITTEE

Approves senior debt in investment structures as appropriate.

RELEVANT CREDIT COMMITTEES

RCC COMMITTEE

Responsible for equity investment risk appetite.

PRUDENTIAL INVESTMENT COMMITTEE

Oversight and approval of portfolio investment transactions in equity, quasi-equity or quasi-debt instruments.

MARKET AND INVESTMENT RISK COMMITTEE (MIRC)

- oversight of investment risk measures and management across the group;
- monitors implementation of the market and investment risk framework (subframework of BPRMF); and
- receives reports of investment activities from franchise risk and management structures.

FRANCHISE RISK AND MANAGEMENT STRUCTURE

RMB proprietary board

- independent oversight of RMB's investment activities; and
- supported by RMB CRO and deployed risk managers.

FNB Exco | **WesBank Exco** | **FCC Exco**

Monitor and manage investments through financial reporting process.

Ashburton Investments risk and compliance committee

- monitors fund investment activity; and
- reviews reports on investment positions.

Investment risk oversight committee

- assesses quality, size and performance of RMB's investment portfolio.

- fund investments approved by Ashburton Investments committee;
- capital limits approved by ALCCO;
- investment limits approved by MIRC; and
- Ashburton Investments capital committee report on positions.

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ASSESSMENT AND MANAGEMENT

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Management of exposures

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

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

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

Recording of exposures – accounting policies

IAS 39 requires equity investments to be classified as financial assets at fair value through profit or loss, or available-for-sale financial assets.

Consistent with the group's accounting policies, the consolidated financial statements include the assets, liabilities and results of operations of all equity investments over which the group has control over the relevant activities and the ability to use that control to affect the variable returns received from the entity.

Equity investments in associates and joint ventures are included in the consolidated financial statements using the equity accounting method. Associates are entities where the group holds an equity interest of between 20% and 50%, or over which it has the ability to exercise significant influence, but does not control. Joint ventures are entities in which the group has joint control over the relevant activities of the joint venture through a contractual agreement.

Measurement of risk exposures and stress testing

Risk exposures are measured in terms of potential loss under stress conditions. A series of standardised stress tests are used to assess potential losses under current market conditions, adverse market conditions, as well as severe stress/event risk. These stress tests are conducted at individual investment and portfolio level.

In the private equity portfolio, the group targets an investment profile that is diversified along a number of pertinent dimensions, such as geography, industry, investment stage and vintage (i.e. annual replacements of realisations).

Economic and regulatory capital calculations are augmented by regular stress tests of market values and underlying drivers of valuation, e.g. company earnings, valuation multiples and assessments of stress resulting from portfolio concentrations.

Regulatory and economic capital

The simple risk weighted method under the market-based approach, 250% (Basel III investments in financial entities), 300% (listed) or 400% (unlisted) is applied with the scalar for the quantification of regulatory capital. Under the Regulations, the risk weight applied to investments in financial, banking and insurance institutions is subject to the aggregate and individual value of the group's shareholding in these investments and also in relation to the group's qualifying CET1 capital. Shareholdings in investments are bucketed depending on the percentage held.

For economic capital purposes, an approach using market value shocks to the underlying investments is used to assess economic capital requirements for unlisted investments after taking any unrealised profits into account.

Where price discovery is reliable, the risk of listed equity investments is measured based on a 90-day ETL calculated using RMB's internal market risk model. The ETL risk measure is supplemented by a measure of the specific (idiosyncratic) risk of the individual securities per the specific risk measurement methodology.

EQUITY INVESTMENT RISK PROFILE

During the year under review, the private equity portfolio had significant realisations with robust realisation profits. The unrealised value of the private equity investment portfolio at 30 June 2015 was R4.9 billion (2014: R3.9 billion). Results were impacted by a weaker performance with increased losses from the RMB resources portfolio, negatively affected by current market conditions in the junior mining sector given the decrease in commodity prices over the last year. Other investment income benefited from realisations held in portfolios outside the private equity portfolio. The following table includes the investment risk exposure and sensitivity. The 10% sensitivity movement is calculated on the carrying value of investments excluding investments subject to the ETL process and the carrying value of investments in associates and joint ventures. The decrease in listed investment risk exposure included in the ETL process from 2014 to 2015 is due to the reduced listed equity exposure, mainly in the RMB resources portfolio.

INVESTMENT RISK EXPOSURE AND SENSITIVITY OF INVESTMENT RISK EXPOSURE

R million	2015	2014
Listed investment risk exposure included in the equity investment risk ETL process	**63**	516
ETL on above equity investment risk exposures	**5**	161
Estimated sensitivity of remaining investment balances		
Sensitivity to 10% movement in market value on investment fair value*	**378**	397
Cumulative gains realised from sale of positions in the banking book during the year	**1 693**	1 786

* *Audited.*

The following tables include the investment valuations and regulatory capital requirements.

INVESTMENT VALUATIONS AND ASSOCIATED REGULATORY CAPITAL REQUIREMENTS

	2015		
R million	**Publicly quoted investments**	**Privately held**	**Total**
Carrying value of investments	**1 100**	**9 802**	**10 902**
Per risk bucket			
250% – Basel III investments in financial entities	**–**	**3 091**	**3 091**
300% – listed investments	**1 100**	**–**	**1 100**
400% – unlisted investments	**–**	**6 711**	**6 711**
Latent revaluation gains not recognised in the balance sheet*	**138**	**11 876**	**12 014**
Fair value	**1 238**	**21 678**	**22 916**
Total unrealised gains recognised directly in balance sheet through equity instead of the income statement*	**–**	**183**	**183**
Capital requirement**	**350**	**2 907**	**3 257**

* *These unrealised gains or losses are not included in Tier 1 or Tier 2 capital and the increase from 2014 to 2015 relates mainly to Private Equity and WesBank investments.*

** *Capital requirement calculated at 10% of RWA (excluding the bank-specific individual capital requirement) and includes capital on investments in financial entities. The investments in financial entities are included as other assets in the RWA table in the capital section.*

	2014		
R million	**Publicly quoted investments**	**Privately held**	**Total**
Carrying value of investments	1 907	9 630	11 537
Per risk bucket			
250% – Basel III investments in financial entities	3	2 558	2 561
300% – listed investments	1 904	–	1 904
400% – unlisted investments	–	7 072	7 072
Latent revaluation gains not recognised in the balance sheet*	183	5 750	5 933
Fair value	2 090	15 380	17 470
Total unrealised gains recognised directly in balance sheet through equity instead of the income statement*	259	45	304
Capital requirement**	586	2 952	3 538

* *These unrealised gains or losses are not included in Tier 1 or Tier 2 capital.*

** *Capital requirement calculated at 10% of RWA (excluding the bank-specific individual capital requirement), and includes capital on investments in financial entities. The investments in financial entities are included as other assets in the RWA table in the capital section.*

FUNDING AND LIQUIDITY RISK

INTRODUCTION AND OBJECTIVES

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

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

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

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

At 30 June 2015, the group exceeded the 60% minimum LCR requirement with a LCR measurement of 76% and the bank's LCR was 84%. The BCBS' *Liquidity coverage ratio disclosure standards* propose consistent and transparent disclosure of banks' liquidity positions as measured by the Basel III regulations. 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 for further detail.

At 30 June 2015, the group's available sources of liquidity per the BCBS LCR were R137 billion, with an additional R12 billion of management liquidity available.

ORGANISATIONAL STRUCTURE AND GOVERNANCE

GROUP AND BANK

FirstRand board

First line of control

STRATEGIC EXECUTIVE COMMITTEE

FINANCIAL RESOURCE MANAGEMENT EXECUTIVE COMMITTEE

INTERNATIONAL EXECUTIVE COMMITTEE

GROUP TREASURY

- manages the group's liquidity and funding;
- recommends, implements and reviews liquidity risk appetite, strategy and liquidity risk management processes of the group; and
- manages and maintains the prudential liquidity limits across all entities in the group.

The group's liquidity position, exposures and management aspects are reported daily, weekly and monthly to various management committees, Group Treasury and FCC risk management as appropriate.

Second line of control

RCC COMMITTEE

GROUP ALCCO

- oversight of asset and liability management functions and ALCCOs in South African and foreign entities; and
- monitors implementation of liquidity risk management framework (LRMF).

The LRMF (subframework of BPRMF) prescribes the standards, principles and policies for effective liquidity risk management across the group.

INTERNATIONAL ALCCO

Oversight of liquidity risk management at foreign entities.

FCC RISK MANAGEMENT

- supports management in identifying and quantifying key ALM risks;
- ensures that board-approved risk policies, frameworks, standards, methodologies and tools are adhered to; and
- compiles, analyses and escalates risk reports on performance, risk exposures and corrective actions.

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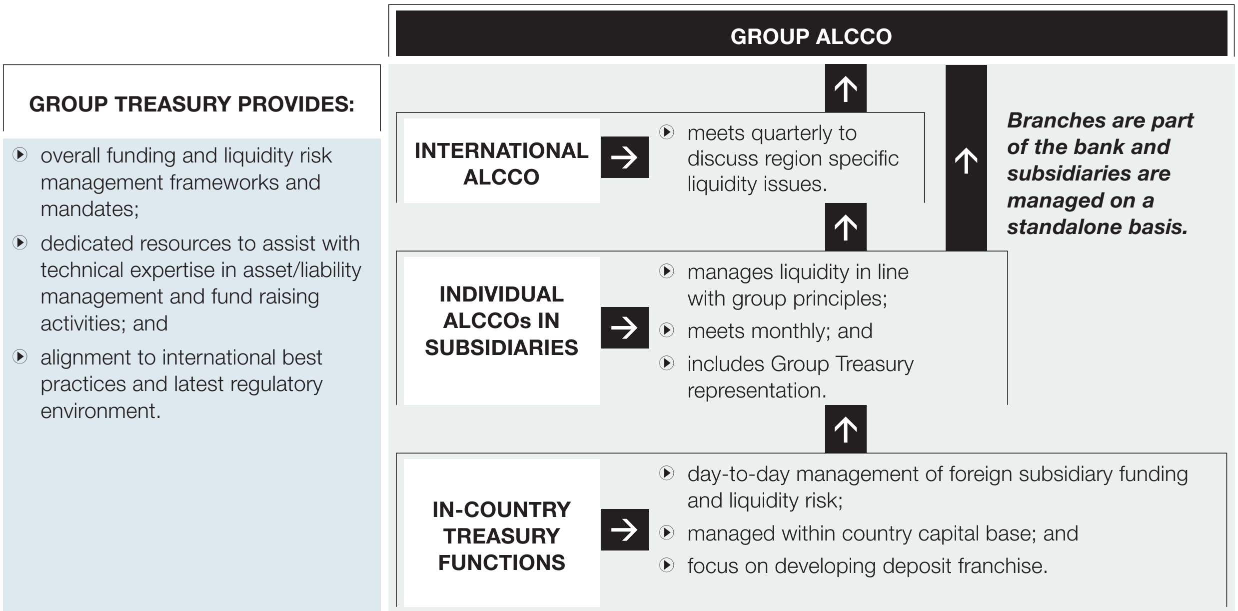
FOREIGN OPERATIONS



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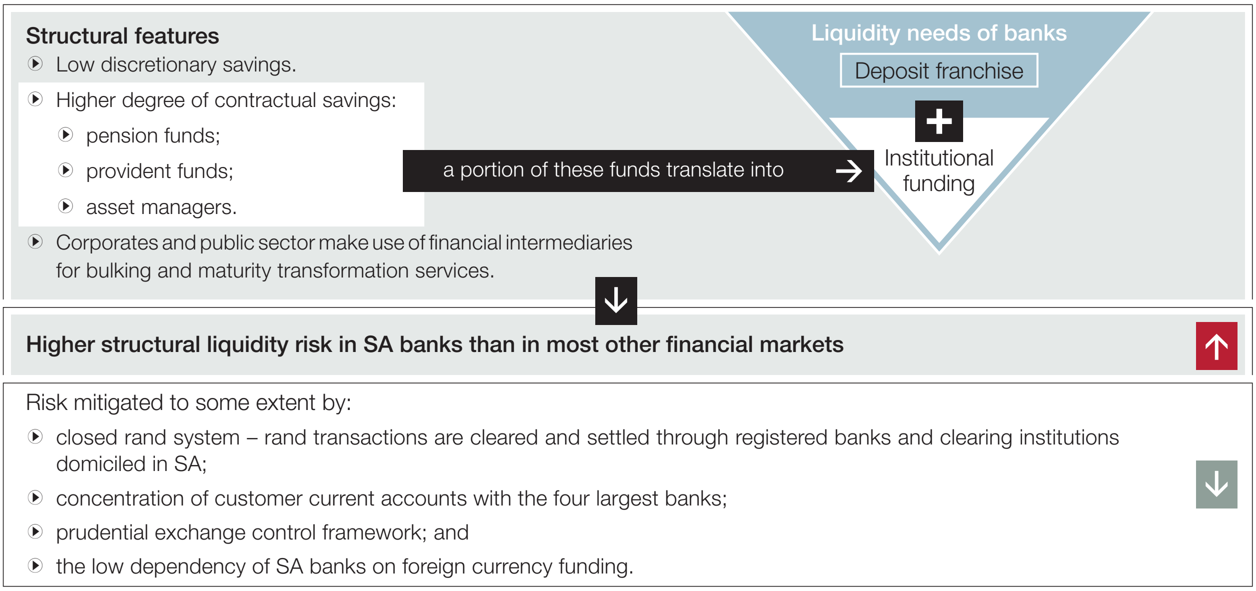
FirstRand has dispensation from the PRA for a waiver on a whole-firm liquidity modification application basis where the PRA considers local risk reporting and compliance of the parent bank sufficient to waive PRA requirements for the London branch. The PRA has instituted a new regulatory regime under *Capital Requirements Directive IV policy statement PS11/15*, which becomes effective from 1 October 2015. The policy statement outlines the phasing out of the prudential sourcebook for banks, building societies and investment firms (BIPRU 12), and the introduction of the European Banking Authority liquidity standards. As a UK branch of a developing country firm, FirstRand will be required to submit a specified branch return and provide liquidity information in line with the home regulators liquidity return requirements.

FUNDING MANAGEMENT

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

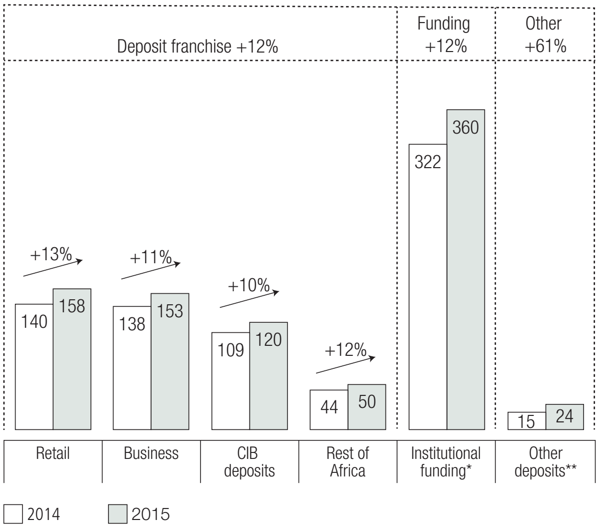


During the year under review, there has been increased liquidity demand by banks as a consequence of the money supply constraints introduced by the LCR and the central bank's open market operations. In light of the structural features discussed above, focus is currently placed on achieving a risk-adjusted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

The group manages its funding structure by source, counterparty type, product, currency and market. The deposit franchise represents the most efficient source of funding and, for the bank, comprised 66% of domestic funding liabilities at 30 June 2015. During the year under review, the group continued to focus on growing its deposit franchise across all segments with increasing emphasis on savings and investment products. Progress has been made in developing suitable products to attract a greater proportion of clients' available liquidity with improved risk-adjusted pricing by source and behaviour. To fund operations, the group accesses the domestic money markets daily and has, over the course of the year, accessed capital markets. The group has frequently issued various capital and funding instruments in the capital markets on an auction and reverse enquiry basis with strong support from investors, both domestically and internationally.

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

GROUP FUNDING BY SEGMENT
R billion



* *Includes CIB institutional funding and international entity platforms.*

** *Consists of liabilities relating to conduits and securitisations.*

Funds transfer pricing

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

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

Funding measurement and activity

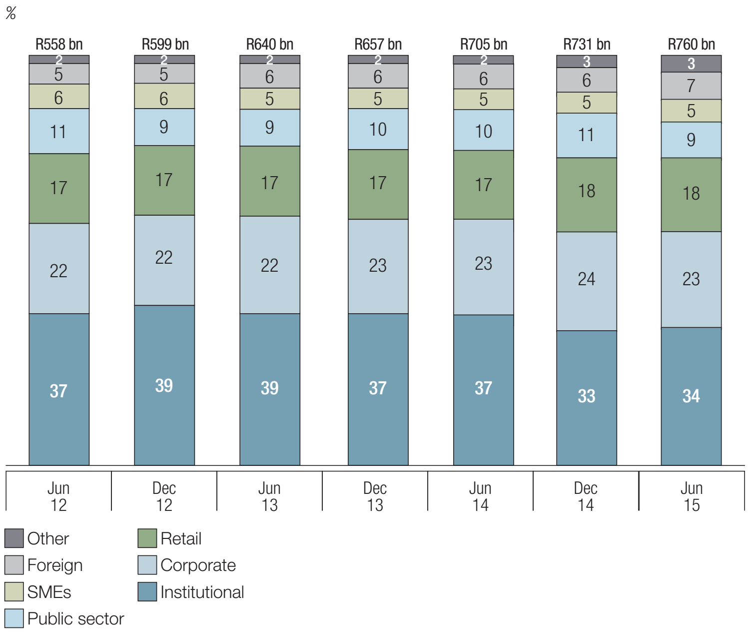
FirstRand Bank, FirstRand's wholly-owned subsidiary and debt issuer, generates a larger proportion of its funding from deposits compared to the South African aggregate, however, its funding profile also reflects the structural features described in the diagram on page 248. The following table provides an analysis of the bank's funding sources.

FUNDING SOURCES OF THE BANK EXCLUDING FOREIGN BRANCHES

	2015				2014
% of funding liabilities	**Total**	**Short term**	**Medium term**	**Long term**	**Total**
Institutional funding	**34.1**	**9.9**	**7.4**	**16.8**	37.0
Deposit franchise	**65.9**	**48.5**	**7.8**	**9.6**	63.0
Corporate	**23.4**	**19.9**	**1.8**	**1.7**	22.7
Retail	**17.7**	**13.6**	**2.8**	**1.3**	17.0
SMEs	**5.4**	**4.7**	**0.4**	**0.3**	5.2
Governments and parastatals	**9.2**	**6.9**	**1.7**	**0.6**	9.6
Foreign	**7.5**	**3.2**	**1.0**	**3.3**	6.1
Other	**2.7**	**0.2**	**0.1**	**2.4**	2.4
Total	**100.0**	**58.4**	**15.2**	**26.4**	100.0

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

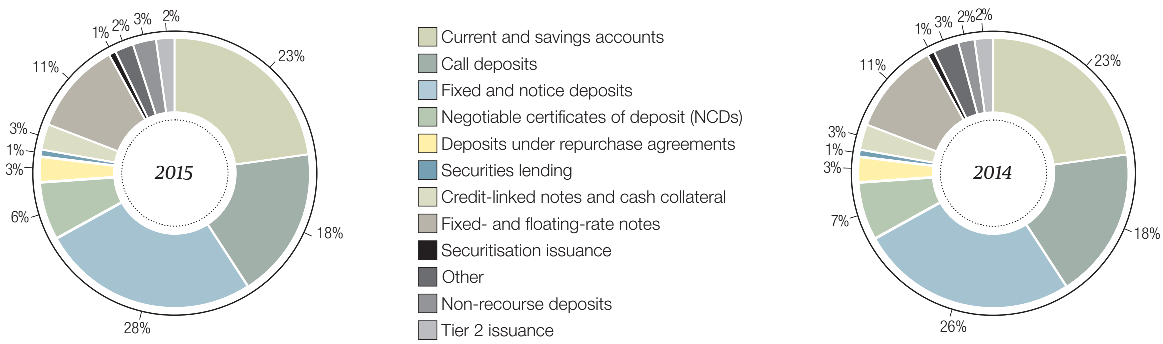
FUNDING ANALYSIS BY SOURCE OF THE BANK EXCLUDING FOREIGN BRANCHES



Source: SARB BA900 returns, June 2015.

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

GROUP'S FUNDING ANALYSIS BY INSTRUMENT TYPE

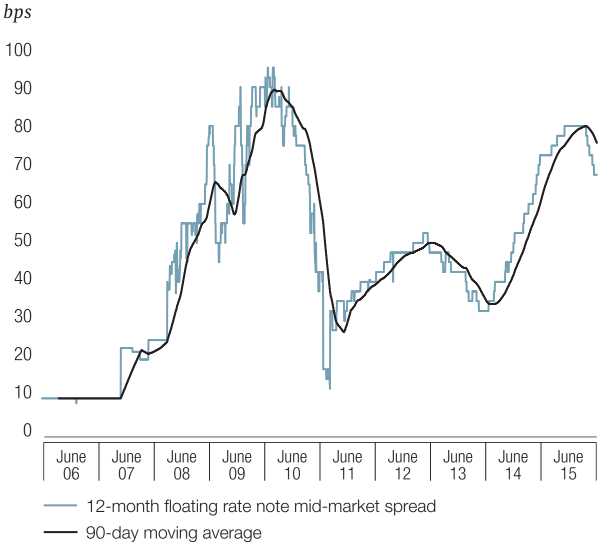


The group's aim is to fund the balance sheet in the most efficient manner, taking into account the liquidity risk management framework, as well as regulatory and rating agency requirements.

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

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

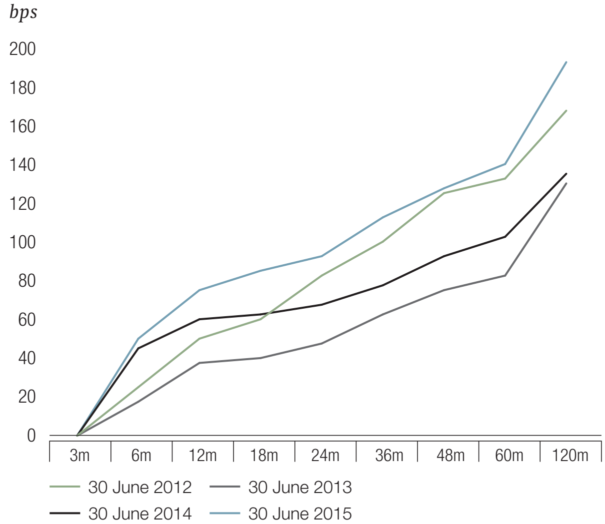
12-MONTH LIQUIDITY SPREAD



Source: Bloomberg (RMBP screen) and Reuters.

The following graph shows that long-term funding spreads are elevated from a historical perspective. On the basis of the group's improved risk profile, higher capital adequacy and greater predictability of earnings, the credit risk component of the funding spreads should be lower. Long-term funding spreads, therefore, still appear to be reflecting a high liquidity premium. The group is consistently able to raise funds in the capital markets in line with its funding curve, which it views as an important test as the group's asset origination is linked to its funding curve.

LONG-TERM FUNDING SPREADS



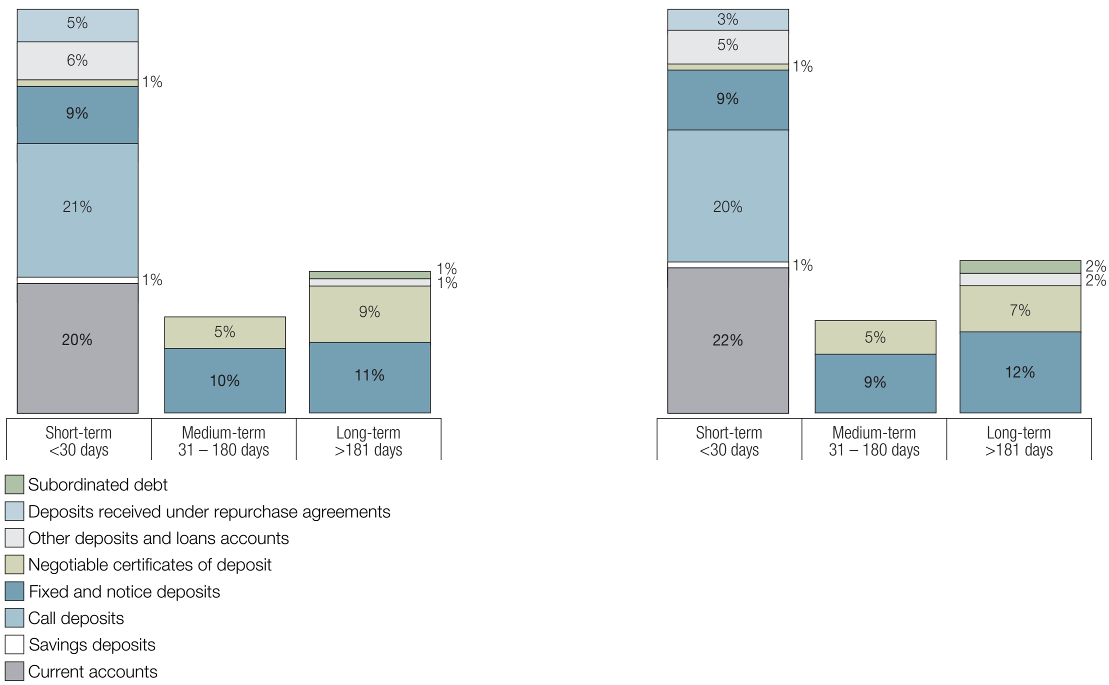
Source: Bloomberg (RMBP screen) and Reuters.

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

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

GROUP'S FUNDING LIABILITIES BY INSTRUMENT TYPE AND TERM

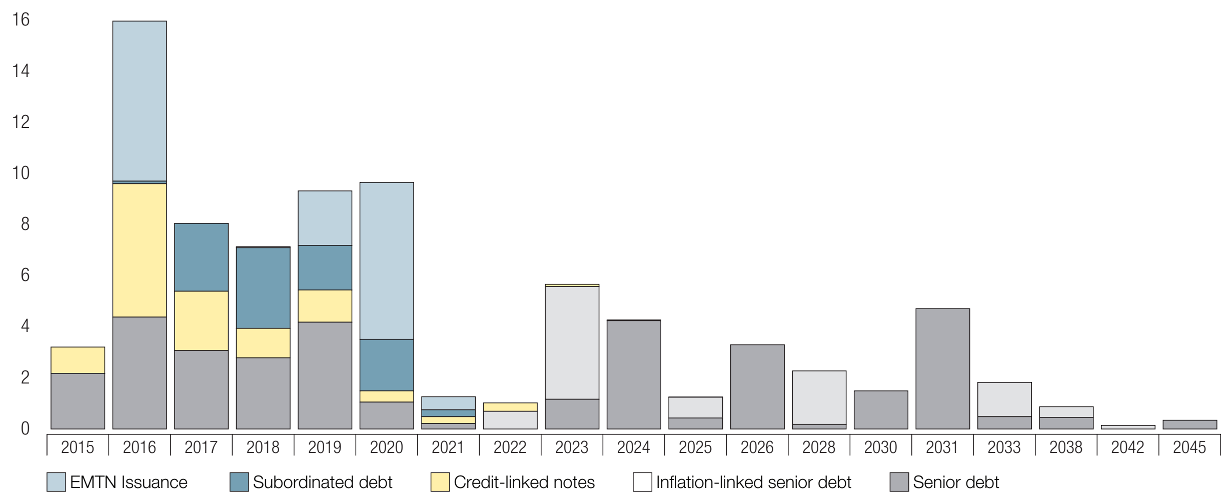
at 30 June 2015 *at 30 June 2014*



The maturity profile of all issued capital markets instruments is shown in the following chart. The group 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

R billion



Funding structure of foreign operations

In line with the group's strategy to build strong deposit franchises in all its operations, foreign operations are categorised in terms of their stage of development from greenfields start-ups to mature subsidiaries and can be characterised from a funding perspective as follows:

- Mature deposit franchises – all assets are largely funded in-country. The pricing of funding is determined via in-country funds transfer pricing, which is already in place.
- Growing deposit franchises – assets are first funded in-country at attendant funds transfer pricing rates. Any excess over and above in-country capacity would be funded by the group's USD funding platforms. This is a temporary arrangement, which allows these entities to develop adequate in-country deposit bases.
- No deposit franchises – all activities would be funded by FirstRand's USD funding platforms.

In all categories, the pricing of funding is determined from established in-country funds transfer pricing.

Group funding support

Any funding provided by the group is constrained by the appetite set independently by the credit risk management committee or the board. In arriving at limits, the credit risk management committee considers the operating jurisdiction and any sovereign risk limits that should apply. Group Treasury, therefore, has to ensure that any resources availed to foreign entities are priced appropriately.

FOREIGN CURRENCY BALANCE SHEET

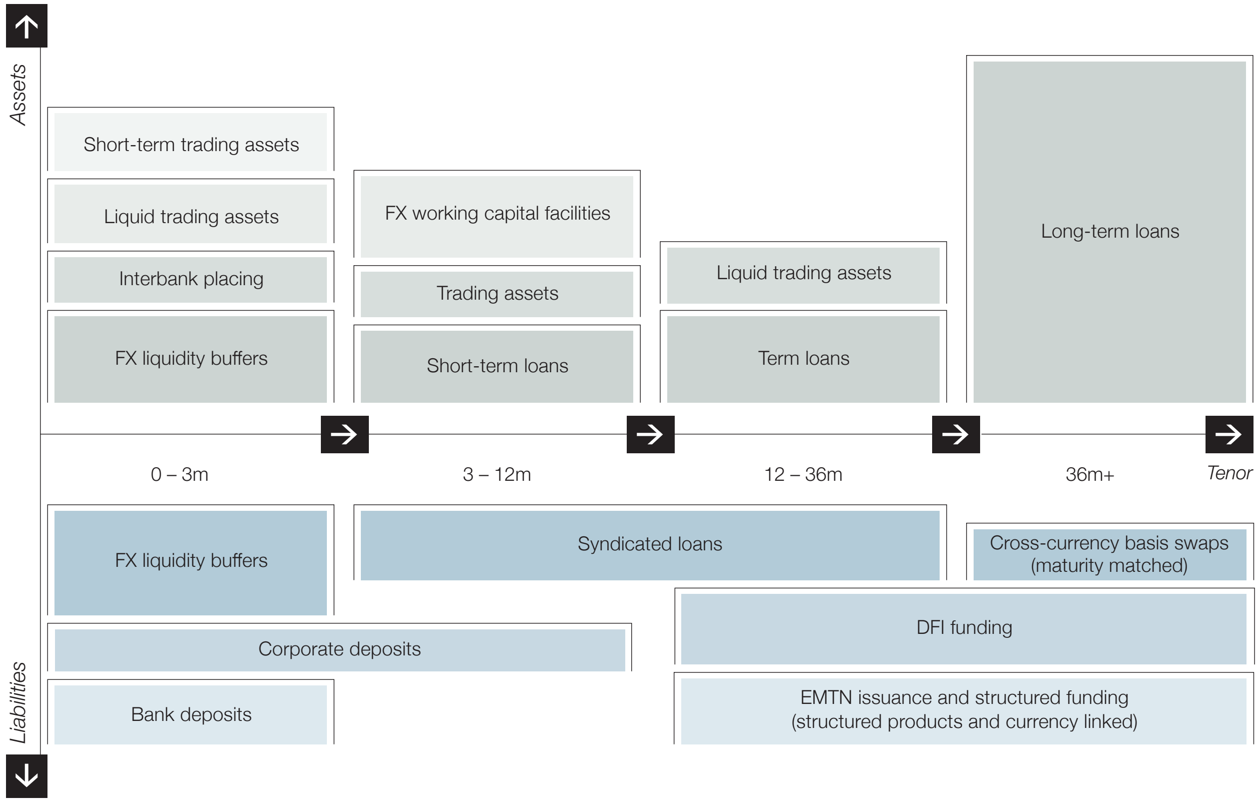
Given the group's objective to grow its franchise in the rest of Africa, India and the corridors, and given the size of MotoNovo in the UK, the active management of foreign currency liquidity risk continues to be a strategic focus. The group seeks to avoid exposing itself to undue liquidity risk and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

FirstRand's expansion strategy means that its foreign currency activities, specifically lending and trade finance, have increased. 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. The group considers risks arising from unsustainable debt path, liquidity, exchange rate and macroeconomic crises. To determine South Africa's foreign currency funding capacity, the group considers the external debt of all South African entities (private and public sector, financial institutions) as all these entities utilise the South African system's capacity – confidence and export receipts.

GRAPHICAL REPRESENTATION OF THE FOREIGN CURRENCY BALANCE SHEET



LIQUIDITY RISK MANAGEMENT

Overview

The group acknowledges liquidity risk as a consequential risk that may be caused by other risks as demonstrated by the reduction in liquidity in many international markets as a consequence of the recent credit crisis. The group is, therefore, focused on continuously monitoring and analysing the potential impact of other risks and events on the funding and liquidity position of the group to ensure business activities preserve and improve funding stability. This ensures the group is able to operate through periods of stress when access to funding is constrained.

The group recognises two types of liquidity risk:

Funding liquidity risk – the risk that a bank will not be able to effectively meet current and future cash flow and collateral requirements without negatively affecting the normal course of business, financial position or reputation.
Market liquidity risk – the risk that market disruptions or lack of market liquidity will cause a bank to be unable (or able, but with difficulty) to trade in specific markets without affecting market prices significantly.

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

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

LIQUIDITY RISK MANAGEMENT APPROACHES

Structural liquidity risk	Daily liquidity risk	Contingency liquidity risk
Managing the risk that structural, long-term on- and off-balance sheet exposures cannot be funded timeously or at reasonable cost.	Ensuring that intraday and day-to-day anticipated and unforeseen payment obligations can be met by maintaining a sustainable balance between liquidity inflows and outflows.	Maintaining a number of contingency funding sources to draw upon in times of economic stress.
• liquidity risk tolerance; • liquidity strategy; • ensuring substantial diversification over different funding sources; • assessing the impact of future funding and liquidity needs taking into account expected liquidity shortfalls or excesses; • setting the approach to managing liquidity in different currencies and from country to country; • ensuring adequate liquidity ratios; • ensuring an appropriate structural liquidity gap; and • maintaining a funds transfer pricing methodology and process.	• managing intraday liquidity positions; • managing daily payment queue; • monitoring net funding requirements; • forecasting cash flows; • performing short-term cash flow analysis for all currencies (individually and in aggregate); • management of intragroup liquidity; • managing central bank clearing; • managing net daily cash positions; • managing and maintaining market access; and • managing and maintaining collateral.	• managing early warning and key risk indicators; • performing stress testing including sensitivity analysis and scenario testing; • maintaining product behaviour and optionality assumptions; • ensuring that an adequate and diversified portfolio of liquid assets and buffers are in place; and • maintaining the contingency funding plan.

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Stress testing and scenario analysis

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

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

Liquidity contingency planning

Frequent volatility in funding markets and the fact that financial institutions can, and have, experienced liquidity problems even during benign economic conditions, highlight the importance of quality liquidity risk and contingency management processes.

The group's ability to meet all of its daily funding obligations and emergency liquidity needs is of paramount importance and, in order to ensure that this is always adequately managed, the group maintains a liquidity contingency plan.

The objective of liquidity contingency planning is to achieve and maintain funding levels in a manner that allows the group to emerge from a potential funding crisis with its reputation intact and to maintain its financial condition for continuing operations. The plan is expected to:

- support effective management of liquidity and funding risk under stressed conditions;
- establish clear roles and responsibilities in the event of a liquidity crisis; and
- establish clear invocation and escalation procedures.

The liquidity contingency plan provides a pre-planned response mechanism to facilitate swift and effective responses to contingency funding events. These events may be triggered by financial distress in the market (systemic) or bank-specific events (idiosyncratic) which may result in the loss of funding sources.

It is reviewed annually and tested regularly via a group-wide liquidity stress simulation exercise to ensure the document remains up to date, relevant and familiar to all key personnel within the group that have a role to play should it ever experience an extreme liquidity stress event.

REGULATORY UPDATE

1 Basel III

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

- LCR addresses short-term liquidity risk cash management; and
- Net Stable Funding Ratio (NSFR) addresses the structural liquidity risk of the balance sheet.

The BCBS released an update on the NSFR in January 2014, proposing better alignment between the LCR and NSFR. The group believes that the calibration and alignment has improved the NSFR, however, some concerns remain with respect to the treatment of secured funding transactions, such as repurchase agreements and the application of the calibration to derivative transactions. The group will continue to participate in the consultative process on NSFR.

2 Liquidity coverage ratio

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

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

3 Disclosure requirements

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

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

4 Net stable funding ratio

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

5 Resolution recovery framework

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

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

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

LIQUIDITY RISK POSITION

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

THE GROUP'S COMPOSITION OF LIQUID ASSETS

	2015*			
	Basel III			Management view
		After haircut		
R billion	High quality liquid assets**	Level 1	Level 2	After SARB haircut
Cash and deposits with central banks	31	–	–	31
Government bonds and bills	93	88	–	88
Corporate bonds	11	–	6	6
Other liquid assets	2	–	1	12
Total	**137**	**88**	**7**	**137**

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

** *The surplus high quality liquid assets holdings by subsidiaries and foreign branches in excess of the minimum required LCR of 60% have been excluded in the calculation of the consolidated group LCR.*

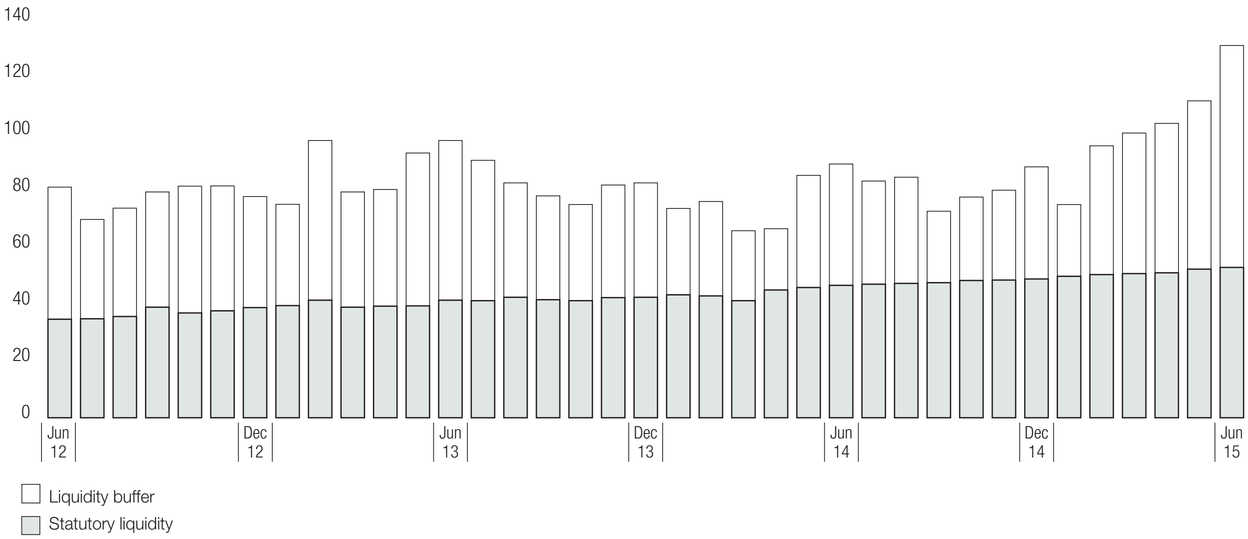
Liquidity buffers are actively managed via high quality, highly-liquid assets that are available as protection against unexpected events or market disruptions. The quantum and composition of the available sources of liquidity are defined by the behavioural funding liquidity at risk and the market liquidity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

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

The following graph presents a historical view of the SARB's qualifying liquid assets. The bank has sought to hold buffers in excess of regulatory minimums based on its own risk assessment and operational liquidity requirements.

LIQUIDITY BUFFER AND STATUTORY LIQUIDITY REQUIREMENTS OF THE BANK EXCLUDING FOREIGN BRANCHES

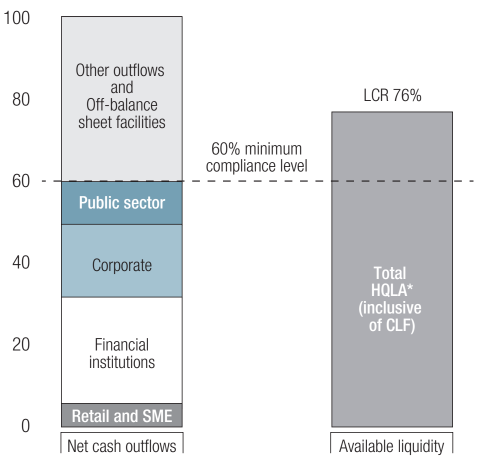
R million



The following graph gives an indication of the group's LCR position of 76% at 30 June 2015 and demonstrates the group's compliance with the 60% minimum requirement. The LCR for the bank was 84% at 30 June 2015.

GROUP LCR

%



* *HQLA held by subsidiaries and foreign branches in excess of the required minimum LCR of 60% have been excluded on consolidation as per directive 11 of 2014.*

CASH FLOW ANALYSIS

Undiscounted cash flows

The following table presents the group's undiscounted cash flows of liabilities and includes all cash outflows related to principal amounts as well as future payments. These balances will not reconcile to the balance sheet for the following reasons:

- balances are undiscounted amounts whereas the balance sheet is prepared using discounted amounts;
- the table includes cash flows not recognised on the balance sheet;
- all instruments held for trading purposes are included in the call to three-month bucket and not by maturity as trading instruments are typically held for short periods of time; and
- cash flows relating to principal and associated future coupon payments have been included on an undiscounted basis.

LIQUIDITY CASH FLOWS (UNDISCOUNTED CASH FLOWS) – MATURITY ANALYSIS OF LIABILITIES BASED ON THE UNDISCOUNTED AMOUNT OF EXPECTED PAYMENTS

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

	2014*			
		Term to maturity		
R million	Carrying amount	Call – 3 months	4 – 12 months	> 12 months
Deposits and current accounts	828 299	544 419	119 722	164 158
Short trading positions	5 442	5 442	–	–
Derivative financial instruments	41 844	39 066	796	1 982
Creditors and accruals	13 553	11 390	868	1 295
Tier 2 liabilities	16 969	1 829	21	15 119
Other liabilities	7 190	733	729	5 728
Policyholder liabilities under insurance contracts	540	22	21	497
Financial and other guarantees	40 702	37 443	1 483	1 776
Operating lease commitments	2 581	240	676	1 665
Other contingencies and commitments	1 754	248	1 041	465
Facilities not drawn	78 785	78 254	508	23

* *Additional line items were included in 2014 table to ensure comparability with 2015 disclosure.*

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Discounted cash flow analysis

The following table represents the group's expected discounted cash flows of assets, liabilities and equity for the group. Relying solely on the liquidity mismatch when assessing a bank's maturity analysis would overstate risk, since this represents an absolute worst case assessment of cash flows at maturity.

Due to South Africa's structural liquidity position, banks tend to have a particularly pronounced negative gap in the shorter term due to short-term institutional funds (which represent a significant proportion of banks' liabilities) which are used to fund long-term assets, e.g. mortgages.

Therefore, in addition to the analysis in the previous table, the group carries out an adjusted liquidity mismatch analysis, which estimates the size of the asset and liability mismatch under normal business conditions. This analysis is also used to manage the mismatch on an ongoing basis.

DISCOUNTED CASH FLOW ANALYSIS – MATURITY ANALYSIS OF ASSETS AND LIABILITIES BASED ON THE PRESENT VALUE OF THE EXPECTED PAYMENT

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

	2014			
		Term to maturity		
R million	**Carrying amount**	**Call – 3 months**	**4 – 12 months**	**> 12 months**
Total assets	945 535	326 101	84 541	534 893
Total equity and liabilities	945 535	605 756	118 734	221 045
Net liquidity gap	–	(279 655)	(34 193)	313 848
Cumulative liquidity gap	–	(279 655)	(313 848)	–

As illustrated in this table, the negative liquidity short-term gap increased slightly in the short end on a cumulative basis. This is aligned to the funding strategy to grow the deposit franchise via transactional deposit accounts. Management continues to align stress funding buffers both locally and offshore, taking into account prevailing economic and market conditions.

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OPERATIONAL RISK

INTRODUCTION AND OBJECTIVES

Operational risk is defined as the risk of loss resulting from inadequate or failed internal processes, people, or systems, or from external events. The group continues to evaluate and enhance existing frameworks, policies, methodologies, processes, standards, systems and infrastructure to ensure that the operational risk management practices are practical, adequate, effective and in line with regulatory developments and emerging best practice.

OPERATIONAL RISK OBJECTIVES AND PROGRAMME

KEY OBJECTIVES • The group's objective is to focus on building an effective and forward-looking operational risk management programme.	OPERATIONAL RISK MANAGEMENT PROGRAMME COMPONENTS
Embed the use of automated risk tool outputs for an integrated operational risk profile view.	• technology and information risks; • internal fraud; • external fraud; • legal risks; • people risks; • business resilience risk; and • process risks.
Refine operational risk appetite limits at various levels in the group.	
Enhance AMA component and methodology maturity.	
Make greater use of risk information and analysis outcomes in: • day-to-day risk management; and • strategic decision making.	
Improve control environment to support business strategy achievements.	
Assess operational risk-related regulatory developments and ensure compliance.	
Enhance risk measurement, capital calculation and allocation methods.	
Scenario analysis and contingency planning in light of national electricity supply shortages.	

The year under review

A number of control improvement initiatives, aimed at addressing key operational risk themes and improving operational risk maturity, gained momentum in the year on under review. The progress on these initiatives is tracked and reported on regularly at group level through the management and risk governance process and is also considered as part of the operational risk appetite setting and risk scenario processes.

The principal operational risks currently facing the group are:

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

Process automation projects continue to reduce manual processes and improve controls thereby mitigating associated risks and increasing efficiencies. Critical data and system links between franchises have been identified for heightened attention by risk management.

There has been increased use of the group's operational risk management system which facilitates easy access to risk information and an integrated view of the business's operational risk profile based on the risk tool outputs. There are ongoing system and process changes to proactively manage risk data quality.

Operational risk appetite setting enables the group and its franchises to measure and monitor operational risk profiles against approved operational risk appetite levels, and to set boundaries for operational risk within which business decisions should be made. Operational risk appetite at group, franchise and segment levels was reviewed during the year and further refinements are ongoing.

The introduction of the use of common key risk drivers in the risk scenario analysis process saw greater refinement in scenario assessment across the group.

Cybercrime was an area of focus and is perceived to be the dominant future threat in financial services globally. Risk mitigation strategies to combat cybercrime are being reviewed to ensure that controls are adequate and effective.

Power supply, management equipment and infrastructure were upgraded for key facilities. A third redundant data centre is being implemented to improve the group's business resilience capability. IT risk and governance functions have been integrated in ERM, with relevant governance forums in place to ensure continued monitoring and mitigation of IT risk across the group. IT and related frameworks are in place and continue to be reviewed to ensure alignment with changing business models and the technology landscape.

During the year under review the group:

- refined processes and improved data quality and records management practices; and
- established information governance committees in all franchises and information governance now forms an integral part of the group's overall risk management framework.

Looking ahead, the group will continue to focus on improving its information management capabilities by embedding governance structures, improve the information control environment and roll out awareness programmes on records management, data quality and data privacy management.

ORGANISATIONAL STRUCTURE AND GOVERNANCE

FirstRand board

RCC COMMITTEE

OPERATIONAL RISK COMMITTEE (ORC)

- monitors implementation of the operational risk management framework (ORMF); and
- oversight over the management of operational risk across the group.

→ The ORMF (subframework of BPRMF) prescribes the authorities, governance and monitoring structures, duties and responsibilities, processes, methodologies, policies and standards which have to be implemented and adhered to when managing operational risk.

ERM CENTRAL OPERATIONAL RISK MANAGEMENT TEAM

→ Embeds the operational risk governance structure across the group.

SPECIALISED TEAMS MANAGE KEY OPERATIONAL RISKS

Fraud and physical security	Business resilience	Legal	Information governance	Information technology

Provide oversight and are integrated in broader operational risk management and governance processes.

MEASUREMENT OF OPERATIONAL RISK

Basel approaches

FirstRand applies **AMA** for its domestic operations. Offshore subsidiaries and operations continue to use **TSA** for operational risk and all previously unregulated entities that now form part of FRIHL use **BIA**. FirstRand continuously assesses the feasibility of migrating TSA and BIA entities to AMA (subject to internal and regulatory constraints).

Under **AMA**, FirstRand uses a sophisticated statistical model for the calculation of capital requirements, which enables more accurate risk-based measures of capital for business units on AMA. Operational risk scenarios (covering key risks that, although low in probability, may result in severe losses) and internal loss data are direct inputs into this model.

Scenarios are derived through an extensive analysis of the group's operational risks in consultation with business and risk experts from across the group. Scenarios are cross-referenced to external loss data, internal losses, key risk indicators, process-based risk and control identification and assessments and other pertinent information about relevant risk exposures. To ensure ongoing accuracy of risk and capital assessments, all scenarios are reviewed, supplemented and/or updated semi-annually, as appropriate.

The loss data used for risk measurement, management and capital calculation are collected for all seven Basel event types across various internal business lines. Data collection is the responsibility of business units and is overseen by the operational risk management team in ERM.

The modelled operational risk scenarios are combined with modelled loss data in a simulation model to derive the annual, aggregate distribution of operational risk losses. Basel Pillar 1 minimum capital requirements are then calculated (for the group and each franchise) as the operational VaR at the 99.9th percentile of the aggregate loss distribution, excluding the effects of insurance, expected losses and correlation/diversification.

Capital requirements are calculated for each franchise using the AMA capital model and then allocated to legal entities within the group based on gross income contribution ratios. This split of capital between legal entities is required for internal capital allocation, regulatory reporting and the performance measurement purposes.

TSA and **BIA** capital calculations are based on a multiplication factor applied to gross income, as specified by Basel and SARB regulations. No risk-based information is used in these capital calculations and allocations.

Business practices continuously evolve and the operational risk control environment is, therefore, constantly changing reflecting the underlying risk profile. The assessment of the operational risk profile and exposures and associated capital requirements take the following into account:

- changes in the operational risk profile, as measured by the various operational risk tools;
- material effects of expansion into new markets, new or substantially changed products or activities as well as the closure of existing operations;
- changes in the control environment – a continuous improvement in the control environment is targeted, but deterioration in effectiveness is also possible due to, for example, unforeseen increases in transaction volumes;
- changes in organisational structure resulting in the move of businesses and/or products from one business unit to another; and
- changes in the external environment, which drives certain types of operational risk.

ASSESSMENT AND MANAGEMENT

Operational risk assessment and management tools

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

In line with international best practice, a variety of tools are employed and embedded in the assessment and management of operational risk. The most relevant of these are outlined in the following chart.

OPERATIONAL RISK ASSESSMENT AND MANAGEMENT TOOLS

Process-based risk and control identification and assessment	Key risk indicators
• the risk and control assessment per product/service based on key business processes; • integrated in the day-to-day business and risk management processes; and • used by business and risk managers to identify and monitor key risks and assess the effectiveness of existing controls.	• used across the group in all businesses as an early warning risk measure; • highlight changing trends in exposures to specific key operational risks; and • inform operational risk profiles which are reported periodically to the appropriate management and risk committees and are monitored on a continuous basis.
Internal/external loss data	**Risk scenarios**
• capturing of internal loss data is a well entrenched discipline within the group; • internal loss data reporting and analyses occur at all levels with specific focus on root causes and process analysis and corrective action; and • external loss databases are used to learn from the loss experience of other organisations and are also an input into the risk scenario process.	• risk scenarios are widely used to identify and quantify low-frequency, extreme loss events; • senior management actively participates in the biannual reviews; and • results are tabled at the appropriate risk committees and are used as input into the capital modelling process.

FirstRand uses an integrated and reputable operational risk system onto where all the operational risk assessment and management tools have been automated to provide a holistic view of the business's operational risk profile.

Operational risk events

As operational risk cannot be avoided or mitigated entirely, frequent events resulting in small losses are expected as part of business operations (e.g. external card fraud) and are budgeted for appropriately. Business units minimise these losses through continuously monitoring and improving relevant business and control practices and processes. Operational risk events resulting in substantial losses occur much less frequently and the group strives to minimise these and contain the frequency and severity of these within its risk appetite levels through appropriate controls. For the year under review, operational losses were within the group's operational risk appetite levels.

Operational risk management programme

A number of key risks exist for which specialised teams, frameworks, policies and processes have been established and integrated into the broader operational risk management and governance programmes as described in the next diagram.

OPERATIONAL RISK MANAGEMENT PROCESSES

	1 Business resilience	2 Legal risk	3 IT risks
Management	• Operations should be resilient to severe disruptions from internal failures or external events. • Business continuity strategies include regular review of business continuity plans and testing. • Disruptions or incidents are assessed and reported to the relevant risk stakeholders.	• Creation and ongoing management of contractual relationships. • Management of disputes. • Protection and enforcement of property rights (including intellectual property). • Failure to account for the impact of change in legislation or decisions by the courts. • Compliance with legislation managed by RRM.	• Protection of information systems against unauthorised access, destruction, modification and use. • Ensure confidentiality, availability and integrity of systems that maintain, process and disseminate this information.
Committees and frameworks	• Business resilience steering committee (a subcommittee of the ORC). • Practices are documented in the business resilience policy and standards.	• Legal risk committee (subcommittee of ORC). • Legal risk management framework.	• IT risk committee (subcommittee of ORC). • IT risk management framework and information security policy.

	4 Information governance	5 Fraud and security risks	6 Risk insurance
Management	• View information as a valuable asset. • Focus on quality and protection of information against unauthorised access, destruction, modification, use and disclosure. • Ensure confidentiality, availability, integrity, sensitivity and accountability of all information.	• Covers internal (staff) and external fraud. • Contain external fraud losses with enhanced controls and introduction of improved real time detection models. • Address the growing cybercrime threat with measures to improve resilience against weaknesses.	• Structured insurance risk financing programme in place for material losses from first party risks. • Annual review and renewal. • Insurance refined through risk profile assessment, change in group strategy or markets. • Cover for professional indemnity, directors' and officers' liability, crime, public and general liability, assets, etc. • Insurance not a mitigant in calculation of capital for operational risk.
Committees and frameworks	• Information governance committee (a subcommittee of the ORC). • Information governance framework and acceptable use of information resources policy.	• Fraud risk management function reporting to FNB CRO with a group mandate. • Fraud risk management framework.	• Cover through FirstRand Insurance Services Company (FRISCOL) (wholly-owned first-party insurance company).

REGULATORY RISK

INTRODUCTION AND OBJECTIVES

Regulatory risk refers to the risk of statutory or regulatory sanction or material financial loss or reputational damage as a result of failure to comply with any applicable laws, regulations or supervisory requirements.

The group fosters an ethical culture in its operations that contributes to the overall objective of prudent regulatory compliance and risk management by striving to observe both the spirit and the letter of the law. The compliance culture also embraces broader standards of integrity and ethical conduct which affects all employees.

RRM OBJECTIVE AND APPROACH

OBJECTIVE	APPROACH
Ensure business practices, policies, frameworks and approaches across the group are consistent with applicable laws and that regulatory risks are identified and proactively managed.	- maintain an effective and efficient regulatory risk management framework with sufficient operational capacity to promote and oversee compliance with legislative and best practice requirements. - training of staff ensures a high level of understanding and awareness of applicable legal and regulatory frameworks pertaining to the group's business activities.

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

- Banks Act, 1990 and related Regulations;
- Competition Act, 1998;
- Financial Intelligence Centre Act, 2001;
- Long-term Insurance Act, 1998;
- Financial Advisory and Intermediary Services Act, 2002;
- National Credit Act, 2005;
- Consumer Protection Act, 2008;
- JSE rules and directives;
- Foreign Account Tax Compliance Act; and
- Protection of Personal Information Act, 2013.

RRM assists senior management in effectively and expeditiously resolving all compliance issues identified in this context. This requires close cooperation with and interaction between RRM, other group and franchise functions, and various regulatory authorities.

The year under review

Banking legislation

As a member of the BCBS, SARB is committed to ensuring that the South African regulatory and legislative framework relating to the regulation and supervision of banks and banking groups remains fully compliant with international standards and market best practice. Accordingly, and in order to further strengthen and enhance South Africa's regulatory framework, a large volume of regulatory changes are being implemented and/or phased in, which usually results in amendments to the Regulations, such as the amendments which were published in the Government Gazette of March and April 2015.

In addition to the above, various other documents, frameworks and requirements that impact materially on the regulation and supervision of banks and banking groups, are being issued by the international standard-setting bodies on an ongoing basis, resulting in revised, additional and/or new regulatory requirements. These, together with the Basel III phase in arrangements, largely resulted in the recent large volume of prudential regulatory changes and new and/or amended requirements and standards in this regard.

Twin peaks

Twin peaks refers to the government policy paper which was published in February 2011, entitled *A safer financial sector to serve South Africa better*. The paper, commonly referred to as the *Red Book*, sets out initial proposals to reform South Africa's financial sector regulatory system and provides information on a wide-ranging set of reforms and proposals relating to, amongst others, the implementation of a twin peaks model of financial regulation in South Africa. National Treasury published a revised draft of the Financial Sector Regulation Bill and a discussion document *Treating Customers Fairly in the Financial Sector: A Market Conduct Policy Framework for South Africa*. The second draft of the Financial Sector Regulation Bill was published in March 2015.

The twin peaks approach will place equal focus on prudential and market conduct supervision with a separate focus on financial stability. In order to minimise the risks associated with the change, a phased in approach will be followed in respect of the implementation of the twin peaks system of financial regulation in South Africa. The group continues to work closely with regulators in this regard. The policy priorities identified in order to reform the financial sector, desired outcomes of the approach and phased in implementation are shown in the following diagram.

TWIN PEAKS POLICY PRIORITIES AND IMPLEMENTATION

Policy priorities

- Financial stability
- Consumer protection and market conduct
- Expanding access of financial services through inclusion
- Combating financial crime

Desired outcomes

- Financial systemic stability
- Strengthened financial regulatory system and structures
- Sound market conduct, micro- and macro-prudential regulation
- Strengthened operational independence, governance and accountability of regulators

Twin peaks implementation

Phase 1

- enactment of the Financial Sector Regulation Bill; and
- establishment of the required regulatory architecture.

Phase 2

- establishment of a target framework, which will include the development of the required legal frameworks for prudential and market conduct regulation; and
- introduction of new legislation and licencing procedures, where required.

Other regulatory developments and focus areas during the year under review are described in the following diagram.

REGULATORY DEVELOPMENTS AND RRM FOCUS AREAS

Protection of Personal Information Act (PoPI)

- PoPI provides for privacy and protection of personal information held by the group in respect of employees, customers and suppliers.
- Funding for the establishment of an information regulator was announced in May 2015 by the Department of Justice.
- The group continues to devote attention and resources to security safeguards, processing and purpose specification of personal information, quality of personal information held, customer notification and consent, third party processors of personal information and complaints handling.

Anti-money laundering and combating terrorist financing (AML/CFT) measures

- The group's objective is to ensure compliance with the provisions of AML/CFT legislation and other requirements pertaining thereto.
- The Financial Intelligence Centre Act (FICA) will be amended to align more closely with revised Financial Action Task Force recommendations.
- The draft Financial Intelligence Centre Amendment Bill, 2015 was published in April 2015.

National Environmental Management: Waste Act

- The group is participating in relevant industry forums focusing on problematic areas relating to certain provisions of Part 8 of the Waste Act.

Group ethics office

- Responsible for the group's ethics framework.
- Maintained focus on the promotion of responsible business and market conduct.
- Provides training on whistle-blowing, conflict of interests avoidance, antibribery and corruption.
- Conveys market conduct regulations and related industry best practice to franchises and business units.

The National Credit Amendment Act (the Amendment Act)

- The Amendment Act came into effect on 13 March 2015.
- Focus is on implementation of the governance arrangements aligned to the revised requirements.

ORGANISATIONAL STRUCTURE AND GOVERNANCE

REGULATORY RISK GOVERNANCE STRUCTURE

FirstRand board

RCC COMMITTEE / AUDIT COMMITTEE	DIRECTORS' AFFAIRS COMMITTEE / SOCIAL AND ETHICS COMMITTEE
• receives regular reports on levels of compliance and instances of material non-compliance.	• oversight of governance and functioning of the group-wide ethics programme; and • the code of ethics is the cornerstone of the group's ethics management framework.
RRM COMMITTEE →	• oversight of RRM function; and • monitors implementation of the regulatory risk management framework.
AML COMMITTEE →	• oversight of AML function.
FRANCHISE COMPLIANCE OFFICERS →	• implement and monitor compliance policies and procedures related to the relevant franchise.
RRM FUNCTION → *RRM has an independent reporting line to the group CEO as well as to the board through its designated committees.*	• coordinates management of group regulatory risk; • monitors, assesses and reports on the level of compliance to senior management and the board; and • fulfils duties and responsibilities in line with requirements prescribed in regulation 49.

ASSESSMENT AND MANAGEMENT

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

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

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

Public policy and regulatory affairs office

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

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

REMUNERATION AND COMPENSATION

FirstRand's compensation policies and practices observe international best practice and comply with the requirements of the Banks Act, 1990 (Act No. 94 of 1990) and *FSB Principles for Sound Compensation Practices*. In accordance with the requirements of regulation 43 of the Regulations, full disclosure of the group's compensation policies, practices and performance are included in the remuneration committee report in its annual integrated report, which is published on FirstRand's website, www.firstrand.co.za.

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ACCOUNTING POLICIES, ANNUAL FINANCIAL STATEMENTS AND NOTES

ACCOUNTING POLICIES

1 INTRODUCTION

The group is an integrated financial services company consisting of banking, insurance and asset management operations.

The group adopts the following accounting policies in preparing its consolidated financial statements. These policies have been consistently applied to all years presented, unless otherwise stated.

2 BASIS OF PRESENTATION

The group's consolidated financial statements have been prepared in accordance with IFRS, the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council, the requirements of the JSE Limited's Listings Requirements and the Companies Act of South Africa.

The principal accounting policies are consistent in all material aspects with those adopted in the previous year. The following new and revised IFRS which did not have an impact on the group's accounting policies were adopted in the current year:

- The amendments to *IFRS 10 Consolidated Financial Statements, IFRS 12 Disclosure of Interests in other Entities and IAS 27 Separate Financial Statements* provide an exemption to the consolidation requirement for entities that meet the definition of an investment entity in terms of IFRS 10. If the exemption is applied, the amendments allow investment entities to account for investments in subsidiaries at fair value through profit or loss. These amendments have no impact on the group, since neither the group itself nor any of the entities in the group meet the definition of an investment entity in terms of IFRS 10.
- *IAS 19 Employee Benefits* was amended to clarify the requirements relating to how contributions from employees or third parties that are linked to service should be attributed to periods of service. The amendment permits contributions that are independent of the number of years of service to be recognised as a reduction in the service cost in the period in which the service is rendered, instead of allocating the contributions to periods of service. Other contributions by employees or third parties that are not linked to service should be attributed to periods of service using the plan's contribution formula or on a straight-line basis. The amendments did not have an impact on the group.
- The amendments to *IAS 32 Financial Instruments: Presentation* clarify the existing requirements relating to the offsetting of financial assets and financial liabilities. It specifically clarifies that the right of set-off must not be contingent on a future event and must also be legally enforceable for all counterparties in the normal course of business, as well as in the event of default, insolvency or bankruptcy. The group's interpretation of the offsetting requirements has always been in line with this, therefore the clarification and adoption of the amended standard did not have an impact on the group financial statements.
- Amendments to *IAS 36 Impairment of Assets* remove the unintended consequences of *IFRS 13 Fair Value Measurement* on the disclosures required under IAS 36. The amendments reduce the circumstances in which the recoverable amount of assets or cash-generating units (CGU) is required to be disclosed. The amendments clarify the disclosures required and introduce an explicit requirement to disclose the discount rate used in determining impairment or impairment reversals when the recoverable amount is determined using a present value technique. The amendments do not impact the amounts reported in the group's consolidated financial statements, but additional disclosures will be provided when applicable in terms of the new disclosure requirements.
- Under *IAS 39 Financial instruments: Recognition and Measurement* the novation of derivatives to central clearing houses would result in the discontinuance of hedge accounting. The amendments to this standard provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria. These amendments have no impact on the group as the group has not novated any derivatives used as hedging instruments during the current or prior periods.
- *IFRIC 21 Levies* is a new interpretation that provides guidance on when to recognise a liability for a levy imposed by a government. The interpretation clarifies that an entity should recognise a liability for a levy when the activity that triggers the payment, as identified by the relevant legislation, occurs. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability is recognised until the specified minimum threshold is reached. This interpretation has no impact on the group's consolidated financial statements as it has applied the requirements of *IAS 37 Provisions, Contingent Liabilities and Contingent Assets* in prior years which are consistent with the requirements of IFRIC 21.
- As part of its *Annual Improvements Project*, the IASB made amendments to a number of accounting standards. The annual improvements for the 2010 – 2012 and 2011 – 2013 cycles issued in December 2013 were adopted in the current financial year. These amendments did not have a significant impact on the group's results nor have they resulted in the restatement of prior year numbers.

The group prepares its consolidated financial statements in accordance with the going concern principle using the historical cost basis, except for the following assets and liabilities:

- financial assets and financial liabilities held for trading;
- financial assets classified as available-for-sale;
- derivative financial instruments;

- financial instruments elected to be carried at fair value through profit or loss;
- policyholder liabilities under investment contracts;
- investment properties valued at fair value;
- cash-settled share-based payments; and
- employee benefit liabilities, valued using the projected unit credit method.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are outlined in note 45.

All monetary information and figures presented in these consolidated financial statements are stated in millions of South African rand (R million), unless otherwise indicated.

3 CONSOLIDATION

3.1 Subsidiaries

The consolidated financial statements include the assets, liabilities and results of the operations of FirstRand Limited and its subsidiaries.

Subsidiaries are all companies and structured entities over which the group has control. The group has control over an investee when the group is exposed, or has rights to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

When assessing whether control exists the group considers all existing substantive rights that result in the current ability to direct relevant activities. Subsidiaries are consolidated from the date on which the group acquires effective control. Consolidation is discontinued from the date that control over the subsidiary is lost.

The group will consolidate a structured entity when the substance of the relationship between the group and the structured entity indicates that the group controls the structured entity.

Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the group.

3.2 Business combinations

The group uses the acquisition method of accounting to account for business combinations. A business is defined as an integrated set of activities and assets that are capable of being conducted and managed for the purposes of providing a return. It is presumed that a business exists if goodwill is present in the acquired set of assets and activities. Evidence to the contrary would be needed to overcome this presumption.

The consideration transferred for the acquisition is measured at the fair value of the assets transferred, equity instruments issued and the liabilities incurred or assumed at the acquisition date. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement and the acquisition date fair value of any existing equity interest held in the subsidiary. The contingent consideration is initially measured at fair value on the acquisition date. An obligation to pay contingent consideration is classified as either a financial liability or equity based on the respective definitions set out in IAS 32. The group classifies any rights to the return of consideration previously transferred as a financial asset. Any asset or liability arising from a contingent consideration arrangement is subsequently measured at fair value through profit or loss.

Any changes resulting from additional and new information about events and circumstances that existed at the acquisition date and, if known, would have affected the measurement of the amounts recognised at that date, are considered to be measurement period adjustments. The group retrospectively adjusts the amounts recognised for measurement period adjustments. The measurement period ends when the acquirer receives all the information it was seeking about facts and circumstances that existed at the acquisition date or learns that information is not obtainable. The measurement period shall, however, not exceed one year from the acquisition date. To the extent that changes in the fair value relate to post-acquisition events, these changes are recognised in accordance with the IFRS applicable to the specific asset or liability. Contingent consideration that is classified as equity is not remeasured after the acquisition date.

Transaction costs are expensed as incurred.

Identifiable assets acquired, and liabilities and contingent liabilities assumed in a business combination are measured at their fair value at the acquisition date.

Any difference between the sum of consideration transferred, the amount of any non-controlling interests in the subsidiary (also refer to accounting policy 3.3), and the acquisition date fair value of any previous equity interest in the subsidiary and the fair value of the group's share of the identifiable net assets acquired, is recorded as goodwill. If this amount is negative as in the case of a bargain purchase, the difference is immediately recognised in profit or loss.

When control is achieved in stages, each transaction is accounted for separately and the identifiable assets, liabilities and contingent liabilities are measured at fair value at acquisition date.

3.3 Non-controlling interests

Non-controlling interests in the net assets of subsidiaries are separately identified and presented from the group's equity. Non-controlling interests may initially be measured at either fair value or the non-controlling interests' proportionate share of the subsidiary's identifiable net assets at the acquisition date. This is not an accounting policy election and the group will apply the measurement on an acquisition by acquisition basis.

Subsequently the non-controlling interests are measured at the amount attributed to such interest at initial recognition and the non-controlling interests' share of changes in equity of the subsidiary since the acquisition date.

Non-controlling interests are treated as equity participants of the subsidiary company. The group treats all acquisitions and disposals of its non-controlling interests in subsidiary companies, which do not result in a loss of control, as transactions with equityholders. The carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the owners of the group.

4 ASSOCIATES

Associates are entities over which the group has significant influence but does not control or jointly control. The group is presumed to have significant influence when it has power over between 20% and 50% of the voting rights.

The group includes the results of associates in its consolidated financial statements using the equity accounting method from the date of acquisition. Refer to accounting policy 6 for details on the application of the equity accounting method.

Equity accounting is discontinued from the date that the group ceases to have significant influence over the associate or from the date that the investment is classified as a non-current asset held for sale in accordance with *IFRS 5 Non-current Assets held for Sale and Discontinued Operations*.

Investments in associates acquired and held exclusively with the view to dispose of in the near future (within 12 months) are measured at fair value less cost to sell in terms of IFRS 5.

5 JOINT ARRANGEMENTS

Joint arrangements are arrangements over which the group has joint control in terms of a contractual agreement with the other parties to that arrangement. Joint control exists only when decisions about the relevant activities of the arrangement require the unanimous consent of the parties sharing control.

A joint arrangement may either be a joint operation or joint venture depending on the rights and obligations of the parties to an arrangement and the classification is based on the substance of the arrangement at inception. A joint operation exists when the group and the other contracting parties have rights to the assets and assume responsibility for the liabilities relating to the arrangement. A joint venture is a joint arrangement in terms of which the group and the other contracting parties have rights to the net assets of the arrangement.

The group includes in its statement of financial position all assets and liabilities that arise from its interest in joint operations. The group's profit or loss includes all revenues and expenses arising from its interests in joint operations. These assets, liabilities, revenues and expenses are accounted for in accordance with the IFRS applicable to the particular assets, liabilities, revenue and expenses.

The group accounts for its investments in joint ventures using the equity accounting method from the date on which joint control is obtained. Refer to accounting policy 6 for details on the application of the equity accounting method.

Equity accounting is discontinued from the date that the group ceases to have joint control over the joint venture or from the date that the investment is classified as a non-current asset held for sale in accordance with IFRS 5.

Investments in joint ventures acquired and held exclusively with the view to dispose of in the near future (within 12 months) are measured at fair value less costs to sell in terms of IFRS 5.

6 EQUITY ACCOUNTING

When equity accounting is applied to an investment in an associate or joint venture the investment is initially recognised at cost. The carrying amount is subsequently increased or decreased to recognise the group's share of the profit or loss from the investee after the date of acquisition. Goodwill on the acquisition of associates and joint ventures is included in the equity accounted carrying amount.

Earnings attributable to ordinary shareholders include the group's share of earnings of associates and joint ventures. Other comprehensive income includes the group's share of other comprehensive income of associates and joint ventures. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment in the associate or joint venture. Changes in the group's share of the net asset value that are not recorded in the investee's other comprehensive income are recorded directly in equity. These amounts are recycled to profit or loss when the investment ceases to be equity accounted.

The most recent audited annual financial statements of associates and joint ventures are used by the group in applying the equity method of accounting. These are not always drawn up to the same date as the financial statements of the group. Where the reporting date of the investee is different from that of the group, the group uses the most recently available financial statements of the investee as well as reviews the investee's management accounts for material transactions during the in-between period. In instances where significant events occurred between the last reporting date of an investee and the reporting date of the group, the effect of such events are adjusted for.

Certain loans and other long-term interests in associates and joint ventures are considered to be in substance part of the net investment in the entity when settlement is neither planned nor likely to occur in the foreseeable future. Such items may include preference shares and long-term receivables or loans but do not include trade receivables or any long-term loans for which adequate collateral exists. These loans and other long-term interests in associates and joint ventures are included in advances on the face of the statement of financial position. The value of such loans are, however, included in the carrying amount of the investee for purposes of determining the share of losses of the investee attributable to the group and for impairment testing purposes.

At each reporting period the group assesses whether there is any objective evidence of impairment as described in IAS 39 in relation to an investment in an associate or joint venture. If such evidence exists, the entire carrying amount of the investment, including the goodwill and other long-term interests, is tested for impairment in terms of IAS 36. Any resulting impairment losses are recognised as part of the share of profits or losses from associates or joint ventures.

When equity accounting is discontinued the group measures any investment it has retained in the entity at fair value and recognises the resulting gain or loss in gains less losses from investing activities within non-interest revenue. The gain or loss is measured as the difference between the fair value of the retained investment and the carrying amount of the original investment at the date on which equity accounting is discontinued. After discontinuing equity accounting, the group accounts for any retained investment in the entity in accordance with the relevant IFRS, as appropriate.

The group does not account for any further losses of the associate or joint venture when the carrying amount of the investment reaches zero, unless it has incurred obligations or guaranteed obligations in favour of the investee.

The group resumes equity accounting only after its share of the profits equals the share of losses not recognised. The group increases the carrying amount of investments with its share of the associate and joint venture's income when equity accounting is resumed.

Unrealised gains on transactions between the group and its associates or joint ventures are eliminated to the extent of the group's interest in the entity. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of the investee have been changed where necessary to ensure consistency with the policies adopted by the group.

7 INTEREST INCOME AND EXPENSE

The group recognises interest income and expense in profit or loss for instruments measured at amortised cost using the effective interest method. The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability by allocating the interest income or interest expense over the average expected life of the financial instruments or portfolios of financial instruments.

The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period, to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the group estimates cash flows considering all contractual terms of the financial instrument (e.g. prepayment options) but does not consider future credit losses. The calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

Interest income or expense on instruments designated at fair value through profit or loss is included in fair value income within non-interest revenue except to the extent that the interest relates to:

- the group's insurance operations;
- the group's funding operations; and
- items to which hedge accounting is applied.

Instruments with characteristics of debt, such as redeemable preference shares, are included in loans and advances or long-term liabilities, as appropriate. Where these instruments are measured at amortised cost dividends received or paid on these instruments are included in the cash flows used to determine the effective interest rate of the instrument.

8 FAIR VALUE GAINS AND LOSSES

The group includes profits or losses, fair value adjustments, interest on trading financial instruments (including derivative instruments that do not qualify for hedge accounting in terms of IAS 39), as well as trading related financial instruments designated at fair value through profit or loss, as fair value gains or losses in NIR. Trading related financial instruments designated at fair value through profit or loss exclude instruments relating to the group's insurance operations and the group's funding requirements.

9 NET FEE AND COMMISSION INCOME

9.1 Fee and commission income

The group generally recognises fee and commission income within NIR on an accrual basis when the service is rendered.

Certain fees and transaction costs that form an integral part of the effective interest rate of available-for-sale and amortised cost financial instruments are capitalised and recognised as part of the effective interest rate of the financial instrument over the expected life of the financial instruments and not as NIR.

Fees and transaction costs that do not form an integral part of the effective interest rate are recognised as income when the outcome of the transaction involving the rendering of services can be reliably estimated as follows:

- fees for services rendered are recognised as fee and commission income on an accrual basis when the service is rendered, e.g. banking fee and commission income, and asset management and related fees;
- fees earned on the execution of a significant act, e.g. knowledge-based fee and commission income, and non-banking fee and commission income, when the significant act has been completed; and
- commission income on bills and promissory notes endorsed is credited to profit or loss over the lives of the relevant instruments on a time apportionment basis.

9.2 Fee and commission expenses

Fee and commission expenses are expenses that are incremental and directly attributable to the generation of fee and commission income, and are recognised in NIR.

Fee and commission expenses include transaction and service fees, which are expensed as the services are received. Fee and commission expenses that form an integral part of the effective interest rate of a financial instrument are recognised as part of net interest revenue.

10 DIVIDEND INCOME

The group recognises dividend income when the group's right to receive payment is established. This is on the last day to trade for listed shares and on the date of declaration for unlisted shares. Dividend income includes scrip dividends, irrespective of whether there is an option to receive cash instead of shares, except to the extent that the scrip dividend is viewed as a bonus issue with no cash alternative and the transaction lacks economic significance.

11 FOREIGN CURRENCY TRANSLATION

11.1 Functional and presentation currency

Items included in the consolidated financial statements of each of the group's entities are measured using the currency of the primary economic environment in which the entity operates (the functional currency). These consolidated financial statements are presented in South African rand (R), which is the functional and presentation currency of the group.

11.2 Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions.

Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at the year-end exchange rates are recognised in profit or loss, except when deferred in other comprehensive income as qualifying cash flow hedges.

Translation differences on both monetary and non-monetary items that are recognised at fair value through profit or loss are reported as part of the fair value gains or losses in NIR.

Translation differences on non-monetary items, such as equities classified as available-for-sale, are reported as part of the fair value gains or losses and are included in other comprehensive income.

Changes in the fair value of monetary debt securities denominated in foreign currency classified as available-for-sale are analysed between translation differences resulting from changes in the amortised cost and other changes in the fair value of the security. Translation differences relating to changes in the amortised cost are recognised in profit or loss and other changes in the fair value are recognised in other comprehensive income.

Foreign exchange gains or losses on monetary items measured at amortised cost are recognised in profit or loss as part of foreign exchange differences within fair value income in NIR.

11.3 Foreign operations

The results and financial position of all the group's foreign operations (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency of the group are translated into the presentation currency as follows:

- assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;
- income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the actual rates at the dates of the transactions); and
- all resulting exchange differences are recognised as a separate component of other comprehensive income.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations, and of borrowings, are recognised in other comprehensive income.

When a foreign operation is sold or partially disposed of and control is lost, including partial disposals where the entity retains an interest in the operation, the group's portion of the cumulative amount of the exchange differences relating to the foreign operation which were recognised in other comprehensive income, are reclassified from other comprehensive income to profit or loss when the gain or loss on disposal is recognised.

For partial disposals where control is retained, the group reattributes the proportionate share of the cumulative exchange differences recognised in other comprehensive income to the non-controlling interests of the foreign operation.

Fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

12 BORROWING COSTS

The group capitalises borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset up to the date on which construction or installation of the assets is substantially completed. Other borrowing costs are expensed when incurred.

13 TAXATION

13.1 Indirect tax

Indirect tax is disclosed separately from income tax in the income statement. Indirect tax includes other taxes paid to central and local governments including value added and securities transfer tax.

13.2 Income tax

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

The current income tax expense is calculated by adjusting the net profit for the year for items that are non-taxable or disallowed. It is calculated using tax rates that have been enacted or substantively enacted at the reporting date, in each particular jurisdiction within which the group operates.

14 RECOGNITION OF ASSETS

14.1 Assets

The group recognises assets when it obtains control of a resource as a result of past events, and from which future economic benefits are expected to flow to the group.

14.2 Contingent assets

The group discloses a contingent asset where, as a result of past events, it is highly likely that economic benefits will flow to it, but this will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events which are not wholly within the control of the group.

14.3 Managed funds and trust activities

Certain divisions within the group engage in trust or other fiduciary activities that result in the managing of assets on behalf of clients. The group excludes these assets and liabilities from the statement of financial position as these are not assets and liabilities of the group but of the client.

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

15 LIABILITIES, PROVISIONS AND CONTINGENT LIABILITIES

15.1 Liabilities and provisions

The group recognises liabilities, including provisions, when:

- it has a present legal or constructive obligation as a result of past events;
- it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and
- a reliable estimate of the amount of the obligation can be made.

Where there are a number of similar obligations, the likelihood that an outflow will be required upon settlement is determined by considering the class of the obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is recognised as interest expense.

An onerous contract is considered to exist where the group has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received from the contract. Present obligations arising under onerous contracts are recognised and measured as provisions.

15.2 Contingent liabilities

The group discloses a contingent liability when:

- it has a possible obligation arising from past events, the existence of which will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the group; or
- it has a present obligation that arises from past events but is not recognised because:
  - it is not probable that an outflow of resources will be required to settle the obligation; or
  - the amount of the obligation cannot be measured with sufficient reliability.

16 CASH AND CASH EQUIVALENTS

In the statement of cash flows, cash and cash equivalents comprise:

- coins and bank notes;
- money at call and short notice; and
- balances with central banks.

All balances included in cash and cash equivalents have a maturity date of less than three months from the date of acquisition.

17 FINANCIAL INSTRUMENTS

17.1 General

Financial instruments carried on the statement of financial position include all assets and liabilities, including derivatives, but exclude investments in associates and joint ventures, commodities, property and equipment, reinsurance assets and liabilities of insurance operations, deferred income tax, tax payable, intangible assets, post-employment liabilities, provisions and certain non-current assets held for sale.

The group recognises a financial asset or a financial liability in its statement of financial position when it becomes a party to the contractual provisions of the instrument.

The group classifies its financial assets in the following categories:

- financial assets at fair value through profit or loss;
- loans and receivables;
- available-for-sale financial assets; and
- held-to-maturity investments.

Financial liabilities are classified in the following categories:

- financial liabilities at fair value through profit or loss; and
- financial liabilities at amortised cost.

Management determines the classification of its financial instruments at initial recognition.

Financial instruments are initially recognised at fair value plus transaction costs for all financial instruments not carried at fair value through profit or loss.

Available-for-sale financial assets and financial instruments at fair value through profit or loss are subsequently measured at fair value. Loans and receivables and held-to-maturity investments are measured at amortised cost using the effective interest method, less any impairment losses.

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

17.1.1 Financial instruments at fair value through profit or loss

This category has two subcategories: financial instruments held for trading and those designated at fair value through profit or loss on initial recognition.

A financial instrument is classified as a trading instrument if acquired principally for the purpose of selling in the short term or if it forms part of a portfolio of financial assets for which there is evidence of short term profit taking. Derivatives are also categorised as held for trading unless designated as hedging instruments in an effective hedging relationship.

Financial assets and financial liabilities are designated on initial recognition as at fair value through profit or loss to the extent that it produces more relevant information because it either:

- results in the reduction of a measurement inconsistency (or accounting mismatch) that would arise as a result of measuring assets and liabilities and the gains and losses on them on a different basis;
- the group of financial assets and/or financial liabilities is managed and evaluated on a fair value basis, in accordance

with a documented risk management or investment strategy, and this is the basis on which information about the assets and/or liabilities is provided internally to the entity's key management personnel; or

- is a financial asset or liability containing significant embedded derivatives that clearly require bifurcation.

The main financial assets and financial liabilities designated at fair value through profit or loss under the first criteria are various advances to customers, structured notes and other investments held by the investment banking division. These financial instruments have been designated at fair value through profit or loss to eliminate the accounting mismatch between these assets and the underlying derivatives used to manage the risk arising from these assets. If the assets were not designated at fair value through profit or loss, a mismatch would arise as a result of the assets being recognised at amortised cost and the related derivatives being recognised at fair value.

Financial instruments designated under the second criteria, include:

- certain private equity and other investment securities; and
- financial assets held to meet liabilities under insurance contracts.

Gains and losses arising from changes in the fair value of the financial instruments at fair value through profit or loss are included in profit or loss as fair value gains or losses in NIR in the period in which they arise.

17.1.2 Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than:

- those that the group intends to sell immediately or in the near term, which shall be classified as held for trading and those that the group upon initial recognition designates as at fair value through profit or loss;
- those that the group upon initial recognition designates as available-for-sale; or
- those for which the holder may not recover substantially all of its initial investment, other than because of credit deterioration, which are classified as available-for-sale.

This category also includes purchased loans and receivables, where the group has not designated such loans and receivables in any of the other financial asset categories.

17.1.3 Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the group's management has the positive intention and ability to hold to maturity. If the group sells more than an insignificant amount of held-to-maturity investments, the entire category is considered to be tainted in terms of IAS 39 and would have to be reclassified as available-for-sale.

The group measures held-to-maturity investments at amortised cost using the effective interest method, less any impairment losses.

17.1.4 Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices.

The group recognises gains and losses arising from changes in the fair value of available-for-sale financial assets in other comprehensive income. It recognises interest income on these assets as part of interest income, based on the instrument's original effective interest rate using the effective interest method. Dividends on available-for-sale equity instruments are recognised in profit or loss when the entity's right to receive payment is established and are included in gains less losses from investing activities within NIR.

When the available-for-sale financial assets are disposed of or impaired, the related accumulated fair value adjustments are reclassified from other comprehensive income and included in profit or loss as gains less losses from investing activities within NIR.

Treasury bills, debt securities and equity shares intended to be held on a continuing basis, other than those designated at fair value through profit and loss, are classified as available-for-sale.

17.1.5 Classification of financial liabilities, equity instruments and compound financial instruments

The group classifies a financial instrument that it issues as a financial liability or an equity instrument in accordance with the substance of the contractual agreement. If a financial instrument includes a contractual obligation to deliver cash or another financial asset or to exchange financial assets or financial liabilities on potentially unfavourable terms, such as redeemable preference shares, the financial instrument is classified as a financial liability. An instrument is classified as equity if it evidences a residual interest in the assets of the group after the deduction of liabilities.

Compound instruments are those financial instruments that have components of both financial liabilities and equity. At initial recognition the compound financial instruments are split into its separate components and accounted for as financial liabilities or equity as appropriate. The group separately measures and recognises the fair value of the debt component of an issued convertible bond as a financial liability, with the residual value allocated to equity.

The initial fair value of the liability component is recognised at the fair value of a similar non-convertible instrument. The equity component is initially recognised as the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their carrying values.

17.1.6 Measurement of financial liabilities

Financial liabilities are measured at amortised cost, except for certain liabilities that are designated as at fair value through profit or loss or held for trading. Interest expense is recognised in profit or loss over the period of the borrowing using the effective interest method. Refer to accounting policies 7 and 8 for the accounting treatment applied to interest expense and fair value gains or losses respectively.

The group calculates interest on the liability component of compound financial instruments based on the market rate for a similar non-convertible instrument at the inception thereof.

17.2 Offsetting of financial instruments

The group offsets financial assets and financial liabilities and reports the net balance in the statement of financial position where:

- there is a currently enforceable legal right to offset the amounts; and
- there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

The right of set-off is considered to be currently enforceable if the following conditions are met:

- the right is not contingent on a future event; and
- it is legally enforceable in all of the following circumstances:
  - the normal course of business;
  - the event of default; and
  - in the event of insolvency or bankruptcy of the entity and all of the counterparties.

17.3 Embedded derivatives

The group treats derivatives embedded in other financial or non-financial instruments, such as the conversion option in a convertible bond, as separate derivatives when:

- their risks and characteristics are not closely related to those of the host contract;
- they meet the definition of a derivative; and
- the host contract is not carried at fair value through profit or loss.

Where embedded derivatives meet the criteria for hedge accounting, they are accounted for in terms of the applicable hedge accounting rules.

17.4 Derecognition

The group derecognises a financial asset when:

- the contractual rights to the asset expire; or
- where there is a transfer of the contractual rights to receive the cash flows of the financial asset and substantially all of the risks and rewards related to the ownership of the financial asset are transferred; or
- the group retains the contractual rights of the assets but assumes a corresponding liability to transfer these contractual rights to another party and consequently transfers substantially all the risks and rewards associated with the asset.

Where the group retains substantially all the risks and rewards of ownership of the financial asset, the group continues to recognise the financial asset in its entirety and recognises a financial liability for the consideration received. These financial assets and the related financial liabilities may not be offset.

Where the group neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset, the group determines whether it has retained control of the financial asset. In this case:

- if the group has not retained control, it derecognises the financial asset and recognises separately as assets or liabilities any rights and obligations created or retained in the transfer; or
- if the group has retained control, it continues to recognise the financial asset to the extent of its continuing involvement in the financial asset.

The group derecognises a financial liability when it is extinguished, i.e. when the obligation specified in the contract is discharged, cancelled or expired. A substantial modification to the terms and conditions of an existing financial liability or part of an existing financial liability is accounted for as an extinguishment of the original financial liability and recognition of a new one. A substantial modification to the terms occurs where the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10 percent different from the discounted present value of the remaining cash flows of the original financial liability.

Where the group purchases its own debt, the debt is derecognised from the statement of financial position and any difference between the carrying amount of the liability and the consideration paid is included in fair value income within NIR.

17.5 Sale and repurchase agreements and securities lending

The consolidated financial statements reflect securities sold subject to a linked repurchase agreement (repos) as investment securities. The associated liability to the counterparty is included in deposits held under repurchase agreements. These financial liabilities are either measured at fair value or amortised cost in line with IAS 39.

The underlying securities purchased under agreements to resell (reverse repos) are not recorded. The advances relating to the repurchase transactions are recognised as advances under agreements to resell. These financial assets are either measured at fair value or amortised cost in line with IAS 39. The difference between the purchase and resale price is in substance interest and is recognised in accordance with the group's policy for net interest income.

Securities lent to counterparties under securities lending arrangements are retained as investment securities. Any deposits arising from collateral provided by the counterparties are recognised as deposits under securities lending arrangements and are measured at either fair value or amortised cost in accordance with IAS 39.

The group does not recognise securities borrowed in the consolidated financial statements, unless these have been onsold to third parties, in which case the obligation to return these securities is recognised as a financial liability at fair value with any gains or losses included in fair value income within NIR.

17.6 Impairment of financial assets

17.6.1 General

A financial asset is impaired if its carrying amount is greater than its estimated recoverable amount.

17.6.2 Assets carried at amortised cost

The group assesses at each reporting date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a loss event) and that loss event(s) has an adverse impact on the estimated future cash flows of the financial asset or group of financial assets and the impact can be reliably estimated.

Objective evidence that a financial asset or group of financial assets is impaired includes observable data that comes to the attention of the group about the following events:

- significant financial difficulty of the issuer or counterparty;
- a breach of contract, such as a default or delinquency in payments of principal or interest;
- it becoming probable that the issuer or debtor will enter bankruptcy or other financial reorganisation;
- the disappearance of an active market for that financial asset because of financial difficulties or adverse changes in the market, economic or legal environment in which the entity operates; or
- observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be allocated to the individual financial assets in the group, including:
  - adverse changes in the payment status of issuers or debtors in the group; or
  - national or local economic conditions that correlate with defaults on the assets in the group.

The group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If the group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and performs a collective assessment for impairment. Financial assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the financial assets' carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial assets' original effective interest rate. The carrying amount of the financial asset is reduced through the use of an allowance account and the amount of the loss is recognised in profit or loss. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

The calculation of the present value of the estimated future cash flows of a collateralised financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether the group elects to foreclose or not.

For the purposes of a collective evaluation of impairment, financial assets are grouped on the basis of similar credit risk characteristics i.e. on the basis of the group's grading process that considers asset type, industry, geographical location, collateral type, past due status and other relevant factors. Those characteristics are relevant to the estimation of future cash flows for groups of such financial assets by being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the financial assets being evaluated.

Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of the contractual cash flows of the assets in the group and historical loss experience for assets with similar credit risk characteristics. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently.

Estimates of changes in future cash flows for groups of financial assets should reflect and be directionally consistent with changes in related observable data from period to period (for example, changes in unemployment rates, property prices, payment status, or other factors indicative of changes in the probability of losses in the group and their magnitude). The methodology and assumptions used for estimating future cash flows are regularly reviewed by the group to reduce any differences between loss estimates and actual loss experience.

When a loan is uncollectible, it is written off against the related allowance account. Such loans are written off after all the necessary procedures have been completed and the amount of the loss has been determined. Subsequent recoveries of amounts previously written off decrease the amount of the provision for loan impairment in profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the previously recognised impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognised in profit or loss.

17.6.2.1 PAST DUE ADVANCES

Advances are considered past due in the following circumstances:

- loans with a specific expiry date (e.g. term loans etc.) and consumer loans repayable by regular instalments (e.g. mortgage loans and personal loans) are treated as overdue where one full instalment is in arrears for one day or more and remains unpaid as at the reporting date; or
- loans payable on demand (e.g. overdrafts) are treated as overdue where a demand for repayment has been served on the borrower but repayment has not been made in accordance with the instruction. In these instances, the full outstanding amount is considered overdue even if part of it is not yet due.

The past due analysis is only performed for advances with specific expiry or instalment repayment dates or demand loans that have been demanded. The analysis is not applicable to overdraft products or products where no specific due date is determined. The level of risk on these types of products is assessed with reference to the counterparty ratings of the exposures and reported as such.

17.6.2.2 RENEGOTIATED ADVANCES

Financial assets that would otherwise be past due that have been renegotiated are separately classified as neither past due nor impaired assets. Renegotiated advances are advances where, due to deterioration in the counterparty's financial condition, the group granted a concession where the original terms and conditions of the facility were amended and the counterparty is within the new terms of the advance. Advances are only classified as renegotiated if the terms of the renegotiated contract have not yet expired and remain classified as such until the terms of the renegotiated contract expire. Where the advances are reclassified as neither past due nor impaired the adherence to the new terms and conditions is closely monitored.

Renegotiated advances exclude advances extended or renewed as part of the ordinary course of business for similar terms and conditions as the original. Non-performing advances cannot be reclassified as renegotiated but current unless the arrears balance has been repaid. Renegotiated but current financial assets are considered as part of the collective evaluation of impairment where financial assets are grouped on the basis of similar credit risk characteristics.

17.6.2.3 REPOSSESSED ASSETS

In certain circumstances, assets are repossessed following the foreclosure on loans that are in default. Repossessed assets are measured at the lower of cost or net realisable value. The group recognises repossessed assets as part of accounts receivable in the statement of financial position.

17.6.3 Available-for-sale financial assets

The group assesses at each reporting date whether there is objective evidence that an available-for-sale financial asset or a group of available-for-sale financial assets is impaired.

In the case of equity investments classified as available-for-sale, objective evidence of impairment includes information about significant changes with an adverse effect on the environment in which the issuer operates and indicates that the cost of the investment in the equity instrument may not be recovered and a significant or prolonged decline in the fair value of the security below its cost. If any such objective evidence exists for available-for-sale financial assets, the cumulative loss, measured as the difference between the acquisition cost and the current fair value less any previously recognised impairment loss on that financial asset, is reclassified from other comprehensive income and recognised in profit or loss. Impairment losses recognised in profit or loss on equity instruments are not subsequently reversed.

In the case of a debt instrument classified as available-for-sale, the same objective evidence of impairment as for financial assets measured at amortised cost is considered in determining if impairment exists. The difference between the acquisition cost and the current fair value less any previous impairment losses recognised in profit or loss is removed from other comprehensive income and recognised in profit or loss. If, in a subsequent period, the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through profit or loss.

17.7 Derivative financial instruments and hedging

The group initially recognises derivative financial instruments, including foreign exchange contracts, interest rate futures, forward rate agreements, currency and interest rate swaps, currency and interest rate options (both written and purchased) and other derivative financial instruments, in the statement of financial position at fair value. Derivatives are subsequently measured at fair value with all movements in fair value recognised in profit or loss, unless it is a designated and effective hedging instrument.

The method of recognising the resulting fair value gains or losses depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The group designates certain derivatives as either:

- hedge of the fair value of recognised assets, liabilities or firm commitments (fair value hedge); or
- hedge of highly probable future cash flows attributable to a recognised asset or liability, or a forecasted transaction (cash flow hedge).

The hedge of a foreign currency firm commitment can either be accounted for as a fair value or a cash flow hedge.

Hedge accounting is used for derivatives designated in this way, provided certain criteria are met.

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

17.7.1 Fair value hedges

Changes in the fair value of derivatives that are designated and qualify as hedging instruments in fair value hedges are recorded in profit or loss, together with any changes in the fair value of the hedged item that are attributable to the hedged risk. The interest accrued or paid relating to interest rate swaps and hedged items are reflected in interest income or interest expense. Effective changes in fair value of currency futures are reflected in non-interest revenue. Other gains or losses, including the ineffective portion of all fair value hedges, are recorded as fair value gains or losses in NIR.

If the hedge of an instrument carried at amortised cost no longer meets the criteria for hedge accounting, the cumulative adjustment to the carrying amount of the hedged item is amortised to profit or loss based on a recalculated effective interest rate over the residual period to maturity, unless the hedge item has been derecognised, in which case it is released to profit or loss immediately. However, if the hedge of an equity instrument carried at fair value no longer meets the criteria for hedge accounting, the cumulative adjustment of the carrying amount of a hedged equity instrument remains in retained earnings until disposal.

17.7.2 Cash flow hedges

The effective portion of changes in the fair value of derivatives that are designated as hedging instruments in effective cash flow hedges is recognised in the cash flow hedge reserve in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately as part of fair value gains or losses in NIR in profit or loss.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss recognised in the cash flow hedge reserve at that time remains in other comprehensive income and is recognised when the forecast transaction is recognised in profit or loss. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in other comprehensive income is immediately reclassified to profit or loss.

Amounts accumulated in other comprehensive income are reclassified to profit or loss in the periods in which the hedged item affects profit or loss. Where the forecast transaction or a foreign currency firm commitment results in the recognition of a non-financial asset or liability, the gains or losses previously deferred in other comprehensive income are reclassified from other comprehensive income and included in the initial measurement of the cost of the non-financial asset or liability.

For financial assets and financial liabilities, if the risk being hedged is interest rate risk the amounts are included in interest income or interest expense when reclassified to profit or loss. The amount recognised in profit or loss for other risks relating to financial assets and financial liabilities is recognised in NIR as fair value gains or losses.

18 COMMODITIES

When the group acquires commodities for short-term trading purposes, the commodities are measured at fair value less costs to sell in accordance with the broker trader exemption in *IAS 2 Inventories*. Changes in fair value are recognised in NIR as fair value gains or losses.

Where the group has a longer term investment intention, the commodities are measured at the lower of cost or net realisable value. Cost is determined using the weighted average method and excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses. The cost of commodities includes the amount of gains or losses on qualifying cash flow hedges previously recognised in other comprehensive income.

Forward contracts to purchase or sell commodities where net settlement occurs, or where physical delivery occurs and the commodities are held to settle a further derivative contract, are recognised as derivative instruments and measured at fair value through profit or loss.

19 PROPERTY AND EQUIPMENT

The group carries property and equipment at historical cost less accumulated depreciation and impairment losses, except for land which is carried at cost less impairment losses. Historical cost includes expenses that are directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or are recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the group and the cost of the item can be reliably measured. The carrying amount of any replacement part is derecognised. All other repairs and maintenance are charged to profit or loss during the financial period in which incurred.

Leasehold improvements are all improvements made to property which the group leases under an operating lease in order to prepare the property for its intended use and from which the group is expected to benefit for more than one year. Leasehold improvements are capitalised as property and equipment.

Property and equipment is depreciated on a straight line basis at rates calculated to reduce the book value of these assets to estimated residual values over their expected useful lives.

Freehold properties and properties held under finance leases are broken down into significant components and depreciation calculated based on the expected useful lives of these components.

The assets' residual values and expected useful lives are reviewed, and adjusted if appropriate, at each reporting date. Assets that are subject to depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An asset is immediately written down to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell and value in use.

Gains or losses on disposals are determined by reference to the carrying amount of the asset and the net proceeds received, and are recorded in profit or loss on disposal.

20 INVESTMENT PROPERTIES

The group classifies investment properties as properties held to earn rental income and/or for capital appreciation that are not occupied by the companies in the group.

Investment properties comprise freehold land and buildings and are measured at fair value. Investment properties that are being redeveloped for continuing use as investment property, or for which that market has become less active, continue to be measured at fair value.

Property located on land that is held under an operating lease is classified as investment property as long as it is held for long-term rental yields and is not occupied by the group. The initial cost of the property is the lower of the fair value of the property and the present value of the minimum lease payments receivable. Subsequent to initial recognition the property is carried at fair value.

When investment properties become owner occupied, the group reclassifies them to property and equipment, using the fair value at the date of reclassification as the cost.

Fair value adjustments on investment properties are included in profit or loss as gains less losses from investing activities in non-interest revenue. These fair value gains or losses are adjusted for any double counting arising from the recognition of lease income on the straight line basis compared to the accrual basis normally assumed in the fair value determination.

The group carries investment properties under development at cost, less adjustments to reduce the cost to open market value, if appropriate.

21 LEASES

21.1 A group company is the lessee

21.1.1 Finance leases

The group classifies leases of property and equipment where it assumes substantially all the risks and rewards of ownership as finance leases.

Finance leases are capitalised as assets at the fair value of the leased asset at the inception of the lease, or, if lower, at the estimated present value of the underlying lease payments. The group allocates each lease payment between the liability and finance charges to achieve a constant rate of interest on the balance outstanding. The interest component of the finance charge is recognised in profit or loss over the lease period in interest expense. The property and equipment acquired are depreciated over the useful life of the assets, unless it is not probable that the group will take ownership of the assets, in which case the assets are depreciated over the shorter of the useful life of the asset or the lease period, on a basis consistent with similar owned property and equipment.

21.1.2 Operating leases

The group classifies leases as operating leases if the lessor effectively retains the risks and rewards of ownership of the leased asset. The group recognises operating lease payments as an operating expense in profit or loss on a straight line basis over the period of the lease. Contingent rentals are expensed in the period incurred. Minimum rentals due after year end are disclosed as commitments.

The group recognises as an expense any penalty payment to the lessor for early termination of an operating lease, in the period in which termination takes place.

21.2 A group company is the lessor

21.2.1 Finance leases

The group recognises as advances, assets sold under a finance lease at the present value of the lease payments receivable. The difference between the gross receivable and the present value of the receivable represents unearned finance income. Unearned finance income is recognised as interest income over the term of the lease using the effective interest method, which reflects a constant periodic rate of return.

21.2.2 Operating leases

The group includes assets held under operating leases as a separate category of property and equipment. The group depreciates these assets over their expected useful lives on a basis consistent with similar owned property and equipment. Rental income is recognised as other NIR on a straight line basis over the lease term.

21.2.3 Instalment credit agreements

The group regards instalment credit agreements as financing transactions and includes the total rentals and instalments receivable, less unearned finance charges, in advances.

The group calculates finance charges using the effective interest rates as detailed in the contracts and credits finance charges to interest income in proportion to capital balances outstanding.

22 INTANGIBLE ASSETS

22.1 Goodwill

Goodwill represents the excess of the consideration transferred, the fair value of the previous equity interests held and the non-controlling interest of an acquisition over the group's share of the fair value of the identifiable net assets of the acquired business, subsidiary, associate or joint venture at the date of acquisition. Goodwill on the acquisition of businesses and subsidiaries is included in intangible assets. Goodwill on acquisitions of associates and joint ventures is included in the carrying amount of the investment. The group carries goodwill at cost less accumulated impairment losses.

22.2 Computer software development costs

The group expenses computer software development costs in the financial period incurred. However, where computer software development costs can be clearly associated with a strategic and unique system which will result in a benefit for the group exceeding the costs incurred for more than one financial period, the group capitalises such costs and recognises an intangible asset.

The group carries capitalised software assets at cost less accumulated amortisation and any impairment losses. It amortises these assets on a straight line basis at a rate applicable to the expected useful life of the asset, but not exceeding three years.

Internally generated software and development costs are only capitalised and recognised as intangible assets if the requirements of *IAS 38 Intangible Assets* relating to the recognition of internally generated assets have been met.

22.3 Other intangible assets

The group expenses the costs incurred on internally generated intangible assets such as trademarks, patents and similar rights and assets, in profit or loss in the period in which the costs are incurred. The costs incurred on the development of separately identifiable internally generated intangible assets, are capitalised by the group if:

- the group is able to demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- it is the group's intention to complete the intangible asset and use or sell it;
- the group will be able to use or sell the intangible asset;
- it is probable that the intangible asset will generate future economic benefits;
- adequate technical, financial and other resources are available to complete the development and to use or sell the intangible asset; and
- the expenditure attributable to the intangible asset can be reliably measured.

The group capitalises material acquired trademarks, patents and similar rights where it will receive a benefit from these intangible assets for more than one financial period.

The group carries capitalised trademarks, patents and similar assets at cost less accumulated amortisation and any impairment losses. It amortises these assets at a rate applicable to the expected useful life of the asset.

22.4 Reacquired rights

As part of a business combination an acquirer may reacquire a right to use one of its recognised or unrecognised assets for which it had previously granted the right of use to this asset to the entity which becomes its subsidiary. Reacquired rights that arise from these transactions are identifiable intangible assets that the group recognises separately from goodwill. Reacquired rights are recognised at fair value at acquisition date based on the remaining contractual term of the related contract without taking into consideration the effect of any potential contractual renewals. Where the terms of the contract giving rise to the reacquired rights are favourable or unfavourable relative to current market transactions for the same or similar items, the group recognises a settlement gain or loss respectively.

22.5 Impairment of intangible assets

Management reviews the carrying value of intangible assets wherever objective evidence of impairment exists. An impairment loss is immediately recognised in profit or loss as part of operating expenses when the carrying value is greater than the recoverable amount. The recoverable amount is the higher of fair value less costs to sell and value in use.

Goodwill is tested annually for impairment or more frequently if an impairment indicator exists at the reporting date. Impairment losses on goodwill are not subsequently reversed.

For impairment testing purposes goodwill is allocated to the smallest component of the business that is expected to benefit from synergies of the combination and at which management monitors goodwill (cash generating unit). Each cash generating unit represents a grouping of assets no higher than an operating segment. The recoverable amount of a cash generating unit is the higher of fair value less costs to sell and value in use.

22.6 Derecognition of intangible assets

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use. Gains or losses arising from derecognition of an intangible asset measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

23 DEFERRED INCOME TAX

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax basis of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred income tax is not provided on temporary differences that arise on the initial recognition of an asset or liability in a transaction other than a business combination that, at the time of the transaction, affects neither accounting profit or loss nor taxable income. Deferred income tax is determined using tax rates and laws that have been enacted or substantively enacted at the reporting date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled. In respect of temporary differences arising from the fair value adjustments on investment properties, deferred income tax is provided at the rate that would apply on the sale of the property i.e. the capital gains tax rate.

The group recognises deferred income tax assets if it is probable that future taxable income will be available against which the unused tax losses can be utilised.

Temporary differences arise primarily from depreciation of property and equipment, revaluation of certain financial assets and liabilities, including derivative contracts, provisions for pensions and other post-retirement benefits and tax losses carried forward. The group reviews the carrying amount of deferred income tax assets at each reporting date and reduces the carrying amount to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the assets to be recovered.

Deferred income tax is provided on temporary differences arising from investments in subsidiaries, associates and joint ventures, except where the timing of the reversal of the temporary difference is controlled by the group and it is probable that the difference will not reverse in the foreseeable future.

Deferred income tax related to fair value remeasurement of available-for-sale investments and derivatives designated as hedging instruments in effective cash flow hedges, which are recognised directly in other comprehensive income, is also recognised directly in other comprehensive income. Deferred income tax recognised directly in other comprehensive income is subsequently reclassified to profit or loss at the same time as the related gain or loss.

Current and deferred income tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets and these relate to income taxes levied by the same tax authority on the same taxable entity. If the balances relate to the same tax authority but different tax entities the group will offset only if it has a legally enforceable right and the entities intend to settle on a net basis or the tax assets and liabilities will be realised simultaneously.

24 EMPLOYEE BENEFITS

24.1 Post-employment benefits

The group operates defined benefit and defined contribution schemes, the assets of which are held in separate trustee administered funds. These funds are registered in terms of the Pension Funds Act, 1956, and membership of the pension fund is compulsory for all group employees.

A defined contribution plan is one under which the group pays a fixed contribution and has no legal or constructive obligation to pay further contributions. All post-employment plans that do not meet the definition of a defined contribution plan are defined benefit plans.

For defined contribution plans the group recognises the contributions as an expense, included in staff costs, when the employees have rendered the service entitling them to the contributions. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

The defined benefit plans are funded by contributions from employees and the relevant group companies, taking into account the recommendations of independent qualified actuaries.

The amount recognised in the statement of financial position in respect of defined benefit plans is the present value of the defined benefit obligation at the reporting date less the fair value of plan assets. Where the value is a net asset, the amount recognised is limited to the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

The present value of the defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future payments required to settle the obligation resulting from employee service in current and prior periods. The discount rate used is the rate of high quality corporate bonds that are denominated in the currency in which the benefits will be paid and have terms to maturity approximating the terms of the related pension liability. In the absence of a deep and liquid bond market the rates on government bonds are used.

The fair value of the plan assets is calculated using the group's accounting policies, and estimates and assumptions for similar assets. Where the plan assets include qualifying insurance policies that exactly match the amount and timing of some or all of the benefits under the plan, the fair value is deemed to be the present value of the related obligation. If the qualifying insurance policy has a limit of indemnity the fair value of the insurance policy is limited to that amount.

The following items are included in profit or loss as part of staff costs:

- current service costs calculated on the projected unit credit method;
- past service costs relating to plan amendments made in the current period;
- gains or losses on curtailments that took place in the current period; and
- net interest income calculated by applying the discount rate at the beginning of the period to the net asset or liability.

All other remeasurements in respect of the obligation and plan assets, including actuarial gains or losses, are recognised in other comprehensive income. The remeasurements recognised in other comprehensive income will not be reclassified to profit or loss.

24.2 Termination benefits

The group recognises termination benefits as a liability in the statement of financial position and as an expense in profit or loss when it has a present obligation relating to termination. The group has a present obligation at the earlier of when the group can no longer withdraw the offer of the termination benefit and when the group recognises any related restructuring costs.

24.3 Leave pay provision

The group recognises a liability for the employees' rights to annual leave in respect of past service.

24.4 Bonuses

The group recognises a liability and an expense for management and staff bonuses when it is probable that the economic benefits will be paid and the amount can be reliably measured. The expense is included in staff costs.

25 SHARE CAPITAL

25.1 Share issue costs

Instruments issued by the group are classified as equity when there is no obligation to transfer cash or other assets. Incremental costs directly related to the issue of new shares or options are shown as a deduction from equity, net of any related tax benefit.

25.2 Dividends paid

Dividends on ordinary shares and non-cumulative non-redeemable preference shares are recognised against equity and a corresponding liability recognised when the dividends have been appropriately approved by the company's shareholders and are no longer at the discretion of the entity. Dividends declared after the reporting date are not recognised but disclosed as a post-reporting date event.

25.3 Distribution of non-cash assets to owners

The group measures the liability to distribute non-cash assets as a dividend to owners at the fair value of the asset to be distributed. The carrying amount of the dividend payable is remeasured at the end of each reporting period and on settlement date, with changes recognised in equity as an adjustment to the distribution. The difference between the carrying amount of the assets distributed and the fair value of the assets on the date of settlement is recognised in profit or loss for the period.

Distributions of non-cash assets under common control are specifically excluded from the scope of *IFRIC 17 Distributions of Non-Cash Assets to Owners* and are measured at the carrying amount of the assets to be distributed.

25.4 Treasury shares

Where the company or other members of the consolidated group purchase the company's equity share capital, the consideration paid, including any directly attributable incremental costs, is deducted from total shareholders' equity as treasury shares until they are reissued or sold. Fair value changes recognised in the subsidiary's financial statements on equity investments in FirstRand's shares are reversed on consolidation and dividends received are eliminated against dividends paid. Where such shares are subsequently sold or reissued, any consideration received, net of any directly attributable incremental costs, is included in shareholders' equity.

For purposes of the earnings per share calculation, the weighted average number of shares in issue is reduced by the number of treasury shares held.

25.4.1 Share trusts

Certain of the group's remuneration schemes are operated through various share trusts. These share trusts are considered to be structured entities.

The share trusts purchased FirstRand shares in the market to economically hedge the group against price risk of the FirstRand shares and to limit the dilutive effect on current shareholders. The shares purchased by the share trusts are considered to be treasury shares and are treated in accordance with the group's policy for treasury shares.

The group consolidates share trusts over which it has control in terms of IFRS 10.

26 SEGMENT REPORTING

An operating segment is a component of the group that engages in business activities from which the group may earn revenue and incur expenses. An operating segment is also a component of the group whose operating results are regularly reviewed by the chief operating decision maker in allocating resources, assessing its performance and for which discrete financial information is available. The CEO of the group has been identified as the group's chief operating decision maker. The group's identification and measurement of operating segments is consistent with the internal reporting provided to the CEO. The operating segments have been identified and classified in a manner that reflects the risks and rewards related to the segments' specific products and services offered in their specific markets.

Operating segments whose total revenue, absolute profit or loss for the period or total assets are 10% or more of all the segments' revenue, profit or loss or total assets, are reported separately.

Assets, liabilities, revenue or expenses that are not directly attributable to a particular segment are allocated between segments where there is a reasonable basis for doing so. The group accounts for the intersegment revenues and transfers as if the transactions were with third parties at current market prices.

Funding is provided to business units and segments based on internally derived transfer pricing rates taking into account the funding structures of the group.

27 SHARE-BASED PAYMENT TRANSACTIONS

The group operates equity settled and cash settled share-based compensation plans for employees and historically disadvantaged individuals and organisations.

27.1 Equity settled share-based compensation plans

The group expenses the fair value of the employee services received in exchange for the grant of the options over the vesting period of the options, as employee costs, with a corresponding credit to a share-based payment reserve in the statement of changes in equity. The total value of the services received is calculated with reference to the fair value of the options on grant date.

The fair value of the options is determined excluding non-market vesting conditions. These vesting conditions are included in the assumptions of the number of options expected to vest. At each reporting date, the group revises its estimate of the number of options expected to vest. The group recognises the impact of the revision of original estimates, if any, in profit or loss, with a corresponding adjustment to the share-based payment reserve.

If options granted do not vest, because of failure to satisfy a vesting condition, amounts recognised for services received are reversed through profit or loss. If options are forfeited after the vesting date, an amount equal to the value of the options forfeited is debited against the share-based payment reserve and credited against retained earnings in the statement of changes in equity.

The proceeds received, net of any attributable transaction costs, are credited to share capital (nominal value) and share premium when the options are exercised. The share-based payment reserve is reclassified to retained earnings upon vesting.

27.2 Cash settled share-based payment compensation plans

The group measures the services received and liability incurred in respect of cash settled share-based payment plans at the current fair value of the liability. The group remeasures the fair value of the liability at each reporting date until settlement. The liability is recognised over the vesting period and any changes in the fair value of the liability are recognised in profit or loss.

28 NON-CURRENT ASSETS AND DISPOSAL GROUPS HELD FOR SALE

Non-current assets and disposal groups are classified as held for sale if the carrying amount will be recovered principally through a sale transaction rather than continuing use. This classification is only used if the sale is highly probable and the non-current assets or disposal groups are available for immediate sale.

In light of the group's primary business being the provision of banking, insurance and asset management operations, non-current assets held as investments are not classified as held for sale as the ongoing investment management implies regular purchases and sales in the ordinary course of business.

Immediately before classification as held for sale, the carrying amount of the non-current assets or the assets and liabilities included in the disposal group are measured in accordance with the appropriate IFRS. On initial recognition as held for sale, the non-current assets and liabilities that are in the measurement scope of IFRS 5 are recognised at the lower of carrying amount and fair value less costs to sell.

The following assets are excluded from the measurement scope of IFRS 5:

- deferred income tax assets;
- assets arising from employee benefits;
- financial assets;
- investment properties measured at fair value; and
- contractual rights under insurance contracts.

When these assets are classified as non-current assets held for sale or form part of a disposal group held for sale they continue to be measured in accordance with the appropriate IFRS. The IFRS 5 presentation and disclosure requirements are applied to these assets.

Any impairment losses on initial classification as held for sale are recognised in profit or loss. If a disposal group contains assets that are outside of the measurement scope of IFRS 5 any impairment loss is allocated to those non-current assets in the disposal group that are within the measurement scope of IFRS 5.

After initial recognition as held for sale the non-current assets are measured at fair value less costs to sell. Where the fair value less costs to sell is less than the carrying value, any additional impairment losses are recognised in profit or loss. Any increases in fair value less costs to sell are only recognised when realised.

The non-current assets and disposal groups held for sale will be reclassified immediately when there is a change in intention to sell. Subsequent measurement of the asset or disposal group at that date will be the lower of:

- its carrying amount before the asset or disposal group was classified as held for sale, adjusted for any depreciation, amortisation or revaluations that would have been recognised had the asset or disposal group not been classified as held for sale; and
- its recoverable amount at the date of the subsequent decision not to sell.

29 DISCONTINUED OPERATIONS

The group classifies a component of the business as a discontinued operation when that component has been disposed of, or is classified as held for sale, and:

- it represents a separate major line of business or geographical area of operations;
- is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations; or
- is a subsidiary acquired exclusively with a view to resale.

A component of the group comprises operations and cash flows that can be clearly distinguished, operationally and for financial reporting purposes, from the rest of the group.

30 INSURANCE AND INVESTMENT CONTRACTS

30.1 Classification of contracts

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

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

An insurance contract is a contract that transfers significant insurance risk to the group. Significant insurance risk exists when it is expected that the present value of the benefits payable in terms of the policy on the occurrence of an insured event will significantly exceed the amount payable had the insured event not occurred. Financial penalties levied on early termination of policy contracts are not taken into account when classifying the contracts.

Investment contracts are those contracts that only transfer financial risk with no significant insurance risk and are classified as financial instruments. Financial risk refers to the risk of a possible change in the value of a financial instrument due to a change in interest rates, commodity prices and an index of prices, foreign exchange or other measurable variable, provided that in the case of a non-financial variable, the variable is not specific to a party to the contract.

30.2 Short-term insurance contracts

30.2.1 Insurance premium revenue

Gross premiums written comprise the premiums on contracts entered into during the year. Premiums are shown excluding any taxes and levies on the premium. Premiums are shown before the deduction of commission.

Premium revenue relates only to the earned portion of premiums and includes all premiums for the period of risk covered by the policy, regardless of whether or not these are due for payment in the accounting period.

30.2.2 Policyholder liabilities under insurance contracts

Policyholder liabilities under insurance contracts comprise a provision for claims reported but not paid; provision for claims incurred but not reported (IBNR) and a provision for unearned premiums.

Policyholder liabilities under insurance contracts are measured at the best estimate of the ultimate cost of settling all claims incurred but unpaid at the reporting date, whether reported or not, and related internal and external claims handling expenses. The liability for outstanding claims is calculated by reviewing individual claims and making allowance for IBNR, and the effect of both internal and external foreseeable events, such as changes in claims handling procedures, inflation, judicial trends, legislative changes and past experience and trends. The group does not discount its liability for unpaid claims.

Adjustments to the amounts of policyholder liabilities under insurance contracts established in prior years are reflected in the financial statements for the period in which the adjustments are made and disclosed separately if material. The methods used are reviewed annually.

Claims incurred include claims handling expenses paid during the financial year together with the estimated liability for compensation owed to policyholders or third parties affected by the policyholders. Claims handling expenses include, amongst others, fees incurred for legal expenses, loss adjusters and administration fees.

The provision for unearned premiums comprises the proportion of gross premiums written which are estimated to be earned in the following or subsequent financial year. This is computed separately for each insurance contract using the method most reflective of any variation in the incidence of risk during the period covered by the contract.

30.2.3 Liability adequacy test

The net liability recognised for insurance contracts is tested for adequacy by calculating current estimates of all future contractual cash flows and comparing this amount to the carrying value of the liability. Where a shortfall is identified, an additional liability and the related expense are recognised.

30.3 Receivables and payables related to short-term insurance contracts

Receivables and payables are recognised when due. These include amounts due to and from agents, brokers and policyholders. Receivables are included in the accounts receivable balance on the statement of financial position while payables are included in the creditors and accruals balance.

If there is objective evidence that an amount receivable under an insurance contract is impaired then the group reduces the carrying amount of the insurance receivable accordingly and recognises the impairment loss in profit or loss. The same indicators that are considered when assessing whether a financial asset measured at amortised cost is impaired are considered when assessing whether there is objective evidence of impairment of receivables related to insurance.

30.4 Reinsurance contracts held

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

Only contracts that give rise to a significant transfer of insurance risk are accounted for as reinsurance. Rights under contracts that do not transfer significant insurance risk are accounted for as financial instruments.

Reinsurance premiums are recognised as an expense in profit or loss when they become due for payment at the undiscounted amounts due in terms of the contract.

Reinsurance recoveries are recognised in profit or loss in the same period as the related claim at the undiscounted amount receivable in terms of the contract.

Amounts recoverable from or due to reinsurers are measured consistently with the amounts associated with the underlying insurance contracts and in accordance with the terms of each reinsurance contract.

The benefits to which the group is entitled under its reinsurance contracts are recognised as assets. These assets consist of short-term balances due from reinsurers on settled claims (included in accounts receivable) as well as receivables that are dependent on the expected claims and benefits arising under the related insurance contracts (classified as reinsurance assets).

Reinsurance assets are assessed for impairment if there is objective evidence, as a result of an event that occurred after its initial recognition, that the group may not recover all amounts due and that the event has a reliably measurable impact on the amounts that the company will receive from the reinsurer. Any difference between the carrying amount of the reinsurance asset and the recoverable amount is recognised as an impairment loss in profit or loss. The same indicators that are considered when assessing whether a financial asset measured at amortised cost is impaired are considered when assessing whether there is objective evidence of impairment of reinsurance assets.

Liabilities relating to reinsurance comprise premiums payable for reinsurance contracts and are recognised as an expense when they fall due in terms of the contract. Reinsurance liabilities are included in creditors and accruals.

30.5 Investment contracts

The group issues investment contracts without fixed benefits (unit-linked and structured products) and investment contracts with fixed and guaranteed benefits (term certain annuities). These contracts fall within the scope of IAS 39.

30.5.1 Premiums received and claims paid relating to investment contracts

Premiums received under investment contracts are recorded as an increase in investment contract liabilities and claims incurred are recorded as withdrawals from investment contract liabilities.

30.5.2 Policyholder liabilities under investment contracts

Policyholder liabilities under investment contracts are recognised in the statement of financial position when, and only when, the group becomes party to the contractual provisions of the contract.

These liabilities are designated at fair value through profit or loss on initial recognition. The fair value of the financial liability recognised for investment contracts is never less than the amount payable on surrender, discounted for the required notice period, where applicable.

The fair value of investment contracts without fixed benefits and unit-linked contracts is determined using the current unit price that reflects the fair values of the underlying financial assets and or derivatives. For unit-linked contracts the unitised investment funds linked to the financial liability are multiplied by the number of units attributed to the policyholder at the statement of financial position date.

For investment contracts with fixed and guaranteed terms, a valuation model is used to establish the fair value at inception and at each reporting date. The valuation model values the liabilities as the present value of the maturity values, using appropriate market-related yields to maturity.

30.5.3 Deferred acquisition costs (DAC)

Deferred acquisition costs on investment contracts represent the contractual customer relationship and the right to receive future investment management fees. Incremental costs directly attributable to securing rights to receive policy fees for services sold with investment contracts are recognised as an asset where they can be identified separately and measured reliably and it is probable that they will be recovered.

An incremental cost is one that would not have been incurred if the group had not secured the investment contract.

30.5.4 Fees on investment contracts

Service fee income on investment management contracts is recognised on an accrual basis as and when the services are rendered. Fees on investment contracts are included in fee and commission income within non-interest revenue.

A deferred revenue liability is recognised in respect of upfront fees, which are directly attributable to a contract, that are charged for securing the investment management service contract. The deferred revenue liability is then released to revenue when the services are provided, over the expected duration of the contract on an appropriate basis.

31 CUSTOMER LOYALTY PROGRAMMES

The group operates a customer loyalty programme in terms of which it undertakes to provide goods and services to certain customers. The reward credits are accounted for as a separately identifiable component of the fee and commission income transactions. The consideration allocated to the reward credits is measured at the fair value of the reward credit and recognised over the period in which the customer utilises the reward credits.

Expenses relating to the provision of the reward credits are recognised as fee and commission expenses as incurred.

32 SERVICE CONCESSION ARRANGEMENTS

Service concession arrangements are recognised if the group acts as an operator in the provision of public services. Where the group has a contractual right to recover the amount receivable in respect of the arrangements from the government organisation, the amount receivable is classified as a financial asset and is accounted for in terms of the group's accounting policy for financial assets. Alternatively, where the group is entitled to collect the monies for usage from the public, the group recognises an intangible asset. The intangible asset is measured in accordance with the group's accounting policy for intangible assets and amortised over its useful life. Fee income earned from public usage is included in fee and commission income within NIR as it is receivable.

CONSOLIDATED INCOME STATEMENT

for the year ended 30 June

R million	Notes	2015	2014
Interest and similar income	1.1	**58 960**	50 412
Interest expense and similar charges	1.2	**(23 339)**	(20 534)
Net interest income before impairment of advances		**35 621**	29 878
Impairment of advances	12	**(5 150)**	(5 252)
Net interest income after impairment of advances		**30 471**	24 626
Non-interest revenue	2	**37 421**	36 150
Income from operations		**67 892**	60 776
Operating expenses	3	**(38 692)**	(35 448)
Net income from operations		**29 200**	25 328
Share of profit of associates after tax	14	**1 085**	670
Share of profit of joint ventures after tax	15	**454**	257
Income before tax		**30 739**	26 255
Indirect tax	4.1	**(884)**	(878)
Profit before tax		**29 855**	25 377
Income tax expense	4.2	**(6 731)**	(5 591)
Profit for the year		**23 124**	19 786
Attributable to			
Ordinary equityholders		**21 623**	18 440
NCNR preference shareholders		**310**	288
Equityholders of the group		**21 933**	18 728
Non-controlling interests		**1 191**	1 058
Profit for the year		**23 124**	19 786
Earnings per share (cents)			
Basic	5	**390.1**	336.2
Diluted	5	**390.1**	332.7

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 30 June

R million	2015	2014
Profit for the year	**23 124**	19 786
Items that may subsequently be reclassified to profit or loss		
Cash flow hedges	**(271)**	363
Losses arising during the year	**(569)**	(109)
Reclassification adjustments for amounts included in profit or loss	**193**	613
Deferred income tax	**105**	(141)
Available-for-sale financial assets	**(377)**	(82)
Losses arising during the year	**(102)**	(82)
Reclassification adjustments for amounts included in profit or loss	**(293)**	(69)
Deferred income tax	**18**	69
Exchange differences on translating foreign operations	**406**	346
Gains arising during the year	**406**	346
Share of other comprehensive income of associates and joint ventures after tax and non-controlling interests	**(262)**	131
Items that may not subsequently be reclassified to profit or loss		
Remeasurements on defined benefit post-employment plans	**(140)**	(82)
Losses arising during the year	**(141)**	(157)
Deferred income tax	**1**	75
Other comprehensive (loss)/income for the year	**(644)**	676
Total comprehensive income for the year	**22 480**	20 462
Attributable to		
Ordinary equityholders	**21 062**	19 086
NCNR preference shareholders	**310**	288
Equityholders of the group	**21 372**	19 374
Non-controlling interests	**1 108**	1 088
Total comprehensive income for the year	**22 480**	20 462

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 30 June

R million	Notes	2015	2014
ASSETS			
Cash and cash equivalents	7	**65 567**	60 756
Derivative financial instruments	8	**34 500**	39 038
Commodities	9	**7 354**	7 904
Accounts receivable	10	**8 009**	8 159
Current tax asset		**115**	131
Advances	11	**751 366**	685 926
Investment securities and other investments	13	**165 171**	119 107
Investments in associates	14	**5 781**	5 847
Investments in joint ventures	15	**1 282**	1 205
Property and equipment	16	**16 288**	14 495
Intangible assets	17	**1 068**	1 047
Reinsurance assets	18	**388**	408
Defined benefit post-employment asset	19	**4**	5
Investment properties	20	**460**	419
Deferred income tax asset	21	**1 540**	862
Non-current assets and disposal groups held for sale	22	**373**	226
Total assets		**1 059 266**	945 535
EQUITY AND LIABILITIES			
Liabilities			
Short trading positions	23	**5 685**	5 442
Derivative financial instruments	8	**40 917**	41 659
Creditors and accruals	24	**17 001**	13 437
Current tax liability		**353**	369
Deposits	25	**865 521**	768 234
Provisions	26	**623**	797
Employee liabilities	19	**9 734**	7 441
Other liabilities	27	**6 876**	6 586
Policyholder liabilities	18	**542**	540
Deferred income tax liability	21	**913**	796
Tier 2 liabilities	28	**12 497**	11 983
Liabilities directly associated with disposal groups held for sale	22	**–**	34
Total liabilities		**960 662**	857 318
Equity			
Ordinary shares	29	**56**	55
Share premium	29	**7 997**	5 531
Reserves		**82 725**	74 928
Capital and reserves attributable to ordinary equityholders		**90 778**	80 514
NCNR preference shares	29	**4 519**	4 519
Capital and reserves attributable to equityholders of the group		**95 297**	85 033
Non-controlling interests	30	**3 307**	3 184
Total equity		**98 604**	88 217
Total equity and liabilities		**1 059 266**	945 535

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 30 June

		Ordinary share capital and ordinary equityholders' funds				
R million	**Notes**	**Share capital**	**Share premium**	**Share capital and share premium**	**Defined benefit post-employment reserve**	**Cash flow hedge reserve**
Balance as at 1 July 2013		55	5 609	**5 664**	(569)	100
Movement in other reserves		–	–	**–**	–	–
Ordinary dividends		–	–	**–**	–	–
Preference dividends		–	–	**–**	–	–
Transfer from/(to) general risk reserves		–	–	**–**	–	–
Changes in ownership interest of subsidiaries		–	–	**–**	–	–
Consolidation of treasury shares		–	(78)	**(78)**	–	–
Total comprehensive income for the year		–	–	**–**	(82)	361
Vesting of share-based payments		–	–	**–**	–	–
Balance as at 30 June 2014		55	5 531	**5 586**	(651)	461
Net proceeds of issue of share capital	29	–	1 611	**1 611**	–	–
Proceeds of issue of share capital		–	1 629	**1 629**	–	–
Share issue expenses		–	(18)	**(18)**	–	–
Share movements relating to the unwind of the staff share trust*		1	873	**874**	–	–
Disposal of subsidiaries		–	–	**–**	–	–
Movement in other reserves		–	–	**–**	–	–
Ordinary dividends		–	–	**–**	–	–
Preference dividends		–	–	**–**	–	–
Transfer from/(to) general risk reserves		–	–	**–**	–	–
Changes in ownership interest of subsidiaries		–	–	**–**	–	–
Consolidation of treasury shares		–	(18)	**(18)**	–	–
Total comprehensive income for the year		–	–	**–**	(140)	(271)
Vesting of share-based payments		–	–	**–**	–	–
Balance as at 30 June 2015		56	7 997	**8 053**	(791)	190

** Shares previously treated as treasury shares.*

Ordinary share capital and ordinary equityholders' funds								
Share-based payment reserve	Available-for-sale reserve	Foreign currency translation reserve	Other reserves	Retained earnings	Reserves attributable to ordinary equity-holders	NCNR preference shares	Non-controlling interests	Total equity
3 173	518	1 999	126	60 607	**65 954**	**4 519**	**2 896**	**79 033**
(387)	–	–	14	(24)	**(397)**	**–**	**(86)**	**(483)**
–	–	–	–	(8 669)	**(8 669)**	**–**	**(630)**	**(9 299)**
–	–	–	–	–	**–**	**(288)**	**–**	**(288)**
–	–	–	34	(34)	**–**	**–**	**–**	**–**
–	–	–	–	(180)	**(180)**	**–**	**(84)**	**(264)**
–	–	–	–	14	**14**	**–**	**–**	**(64)**
–	(82)	353	96	18 440	**19 086**	**288**	**1 088**	**20 462**
(3)	–	–	–	(877)	**(880)**	**–**	**–**	**(880)**
2 783	436	2 352	270	69 277	**74 928**	**4 519**	**3 184**	**88 217**
–	–	–	–	–	**–**	**–**	**–**	**1 611**
–	–	–	–	–	**–**	**–**	**–**	**1 629**
–	–	–	–	–	**–**	**–**	**–**	**(18)**
–	–	–	–	–	**–**	**–**	**–**	**874**
–	–	–	–	–	**–**	**–**	**(48)**	**(48)**
(532)	–	–	10	(983)	**(1 505)**	**–**	**(24)**	**(1 529)**
–	–	–	–	(10 724)	**(10 724)**	**–**	**(764)**	**(11 488)**
–	–	–	–	–	**–**	**(310)**	**–**	**(310)**
–	–	–	10	(10)	**–**	**–**	**–**	**–**
–	–	–	–	(28)	**(28)**	**–**	**(149)**	**(177)**
–	–	–	154	(156)	**(2)**	**–**	**–**	**(20)**
–	(372)	405	(183)	21 623	**21 062**	**310**	**1 108**	**22 480**
(2 230)	–	–	–	1 224	**(1 006)**	**–**	**–**	**(1 006)**
21	64	2 757	261	80 223	**82 725**	**4 519**	**3 307**	**98 604**

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 30 June

R million	Notes	2015	2014
Cash flows from operating activities			
Cash receipts from customers	32.2	**85 324**	76 678
Cash paid to customers, suppliers and employees	32.3	**(52 049)**	(46 403)
Dividends received		**4 323**	3 734
Dividends paid	32.4	**(11 034)**	(8 957)
Dividends paid to non-controlling interests		**(764)**	(630)
Cash generated from operating activities	32.1	**25 800**	24 422
Increase in income-earning assets	32.5	**(110 584)**	(74 630)
Increase in deposits and other liabilities	32.6	**97 250**	68 797
Taxation paid	32.7	**(8 065)**	(6 711)
Net cash generated from operating activities		**4 401**	11 878
Cash flows from investing activities			
Acquisition of investments in associates	14.2	**(141)**	(1 566)
Proceeds on disposal of investments in associates	14.3	**1 326**	1 210
Acquisition of investments in joint ventures	15.2	**(16)**	(272)
Acquisition of investments in subsidiaries	42.1	**–**	(15)
Proceeds on disposal of investments in subsidiaries	42.2	**247**	32
Acquisition of property and equipment		**(4 356)**	(4 011)
Proceeds on disposal of property and equipment		**460**	682
Acquisition of intangible assets		**(161)**	(105)
Proceeds on disposal of intangible assets		**5**	7
Acquisition of investment properties		**(10)**	(37)
Proceeds on disposal of investment properties		**1**	76
Proceeds on disposal of non-current assets held for sale		**91**	41
Net cash outflow from investing activities		**(2 554)**	(3 958)
Cash flows from financing activities			
Proceeds from the issue of other liabilities		**837**	484
Proceeds from the issue of Tier 2 liabilities		**510**	3 859
Net proceeds from issue and buyback of ordinary shares		**1 563**	–
Acquisition of additional interest in subsidiaries from non-controlling interests*	30.1	**(181)**	(273)
Issue of shares of additional interest in subsidiaries to non-controlling interests*		**–**	41
Net cash inflow from financing activities		**2 729**	4 111
Net increase in cash and cash equivalents		**4 576**	12 031
Cash and cash equivalents at the beginning of the year		**60 756**	48 565
Cash and cash equivalents impacted by the disposal of subsidiaries		**67**	(11)
Effect of exchange rate changes on cash and cash equivalents		**168**	179
Transfer to non-current assets held for sale		**–**	(8)
Cash and cash equivalents at the end of the year	7	**65 567**	60 756

* *Acquisitions and issue of shares from and to non-controlling interests have been reclassified from investing activities to financing activities in order to better reflect the nature of the activity. Prior year amounts have also been reclassified.*

CONSOLIDATED STATEMENT OF HEADLINE EARNINGS AND DIVIDENDS

for the year ended 30 June

	2015	2014
Headline earnings per share (cents)		
Basic	**381.4**	340.4
Diluted	**381.4**	336.8
Ordinary dividends per share (cents)		
Interim	**93.0**	77.0
Final	**117.0**	97.0
Total dividends per ordinary share (cents)	**210.0**	174.0

Headline earnings is calculated in terms of *Circular 2/2013 Headline Earnings.*

Basic headline earnings

Basic headline earnings per share is calculated by dividing the group's attributable earnings to ordinary equityholders after excluding separately identifiable remeasurements, net of tax and non-controlling interests, by the weighted average number of ordinary shares in issue during the year, excluding the average number of ordinary shares purchased by the group and held as treasury shares.

	2015	2014
Headline earnings attributable to ordinary shares in issue (R million)	**21 141**	18 671
Weighted average number of ordinary shares in issue	**5 543 556 976**	5 485 252 758

Diluted headline earnings

Diluted headline earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares.

	2015	2014
Diluted headline earnings attributable to ordinary equityholders (R million)	**21 141**	18 671
Diluted weighted average number of shares in issue	**5 543 556 976**	5 543 002 061

R million	2015 Gross	2015 Net	2014 Gross	2014 Net
Headline earnings reconciliation				
Earnings attributable to ordinary equityholders		**21 623**		18 440
Adjusted for				
Loss on disposal of investment securities and other investments of a capital nature	**1**	**1**	27	27
Gain on the disposal of available-for-sale assets	**(293)**	**(287)**	(69)	(50)
Transfer to foreign currency translation reserve	**10**	**13**	–	–
Gains on the disposal of investments in associates	**–**	**–**	(61)	(43)
Gains on the disposal of investments in subsidiaries	**(220)**	**(186)**	(14)	(10)
Gain on remeasuring retained interest in subsidiaries disposed of	**–**	**–**	(4)	(4)
Loss/(gain) on disposal of property and equipment	**5**	**(4)**	32	34
(Reversal of impairment)/impairment of property and equipment	**(3)**	**(2)**	141	139
Impairment of goodwill	**–**	**–**	128	128
Fair value movement of investment properties	**(33)**	**(19)**	–	–
Impairment of assets in terms of IAS 36	**3**	**2**	10	10
Headline earnings attributable to ordinary equityholders		**21 141**		18 671

Cents	2015	2014
Basic headline earnings per share	**381.4**	340.4
Diluted headline earnings per share	**381.4**	336.8

Cents	2015	2014
Dividend information		
Dividends declared on NCNR preference shares		
B preference shares		
23 February 2015/24 February 2014	**348.5**	320.3
31 August 2015/25 August 2014	**363.9**	341.1
Total B preference shares	**712.4**	661.4
Ordinary dividends declared		
6 March 2015/3 March 2014	**93.0**	77.0
9 September 2015/8 September 2014	**117.0**	97.0
Total ordinary dividends declared	**210.0**	174.0

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June

1 ANALYSIS OF INTEREST INCOME AND INTEREST EXPENSE

1.1 Interest and similar income

	2015				
R million	**Fair value**	**Amortised cost**	**Hedging instruments**	**Non-financial instruments**	**Total**
Advances	**–**	**53 887**	**–**	**–**	**53 887**
Cash and cash equivalents	**–**	**783**	**–**	**–**	**783**
Investment securities and other investments	**3 355**	**305**	**–**	**–**	**3 660**
Unwinding of discounted present value on NPLs	**–**	**94**	**–**	**–**	**94**
Accrued on off market advances	**–**	**10**	**–**	**–**	**10**
Other	**–**	**51**	**467**	**8**	**526**
Interest and similar income	**3 355**	**55 130**	**467**	**8**	**58 960**

	2014				
R million	**Fair value**	**Amortised cost**	**Hedging instruments**	**Non-financial instruments**	**Total**
Advances	–	45 914	–	–	45 914
Cash and cash equivalents	–	994	–	–	994
Investment securities and other investments	2 812	119	–	–	2 931
Unwinding of discounted present value on NPLs	–	135	–	–	135
Accrued on off market advances	–	23	–	–	23
Other	–	46	327	42	415
Interest and similar income	2 812	47 231	327	42	50 412

1 ANALYSIS OF INTEREST INCOME AND INTEREST EXPENSE continued

1.2 Interest expense and similar charges

	2015				
R million	**Fair value**	**Amortised cost**	**Hedging instruments**	**Non-financial instruments**	**Total**
Current accounts	–	(3 702)	–	–	(3 702)
Savings deposits	(2)	(150)	–	–	(152)
Call deposits	–	(6 277)	–	–	(6 277)
Fixed and notice deposits	(445)	(9 842)	–	–	(10 287)
Negotiable certificates of deposit	(122)	(3 187)	–	–	(3 309)
Repurchase agreements	–	(726)	–	–	(726)
Securities lending	–	(417)	–	–	(417)
Cash collateral and credit linked notes	–	(449)	–	–	(449)
Fixed and floating rate notes	(119)	(6 494)	–	–	(6 613)
Securitisation issuances	–	(136)	–	–	(136)
Other liabilities	–	(206)	–	–	(206)
Tier 2 liabilities	(15)	(912)	–	–	(927)
Other	(1)	(586)	(660)	(9)	(1 256)
Gross interest expense and similar charges	(704)	(33 084)	(660)	(9)	(34 457)
Less: Interest reallocated to fair value income*	–	11 118	–	–	11 118
Interest expense and similar charges	(704)	(21 966)	(660)	(9)	(23 339)

* *Interest expense reallocated to fair value income relates to interest paid on liabilities that fund the group's fair value activities. In line with the group's accounting policies this interest expense is reallocated to fair value income to appropriately reflect the results of the underlying business.*

1 ANALYSIS OF INTEREST INCOME AND INTEREST EXPENSE continued

1.2 Interest expense and similar charges

	2014				
R million	**Fair value**	**Amortised cost**	**Hedging instruments**	**Non-financial instruments**	**Total**
Current accounts	–	(2 794)	–	–	(2 794)
Savings deposits	–	(122)	–	–	(122)
Call deposits	–	(5 170)	–	–	(5 170)
Fixed and notice deposits	(392)	(7 396)	–	–	(7 788)
Negotiable certificates of deposit	(116)	(2 429)	–	–	(2 545)
Repurchase agreements	–	(431)	–	–	(431)
Securities lending	–	(363)	–	–	(363)
Cash collateral and credit linked notes	–	(406)	–	–	(406)
Fixed and floating rate notes	(136)	(5 561)	–	–	(5 697)
Securitisation issuances	–	(175)	–	–	(175)
Other liabilities	(13)	(152)	–	–	(165)
Tier 2 liabilities	(72)	(653)	–	–	(725)
Other	(24)	(627)	(940)	(2)	(1 593)
Gross interest expense and similar charges	(753)	(26 279)	(940)	(2)	(27 974)
Less: Interest reallocated to fair value income*	–	7 440	–	–	7 440
Interest expense and similar charges	(753)	(18 839)	(940)	(2)	(20 534)

* *Interest expense reallocated to fair value income relates to interest paid on liabilities that fund the group's fair value activities. In line with the group's accounting policies this interest expense is reallocated to fair value income to appropriately reflect the results of the underlying business.*

2 NON-INTEREST REVENUE

R million	2015	2014
Fee and commission income	**29 239**	27 043
– Instruments at amortised cost	**21 814**	20 354
– Instruments at fair value	**1 717**	1 737
– Non-financial instruments	**5 708**	4 952
Fee and commission expenses	**(3 635)**	(3 380)
Net fee and commission income	**25 604**	23 663
Fair value gains or losses		
Held for trading	**5 125**	5 227
Designated at fair value through profit or loss	**1 671**	2 696
Other	**(37)**	17
Fair value gains or losses*	**6 759**	7 940
Gains less losses from investing activities		
Designated at fair value through profit or loss	**(129)**	29
Available-for-sale	**640**	336
Other	**1 320**	954
Gains less losses from investing activities	**1 831**	1 319
Other non-interest revenue	**3 227**	3 228
Total non-interest revenue	**37 421**	36 150

* *Included in fair value gains or losses is interest expense reallocated to fair value income which relates to interest paid on liabilities that fund the group's fair value activities. In line with the group's accounting policies this interest expense is reallocated to fair value income to appropriately reflect the results of the underlying business.*

2 NON-INTEREST REVENUE continued

Fee and commission income is derived from the group's banking, asset management, insurance and other non-banking activities. Insurance related income includes commissions earned on the sale of insurance products to customers of the group on behalf of an insurer and the income arising from third-party insurance cell captive and profit share agreements. Other non-banking fee and commission income relates to fees and commissions earned for rendering services to clients other than those related to the banking, insurance and asset management operations.

R million	2015	2014
Fee and commission income		
Banking fee and commission income	**23 014**	21 102
– Card commissions	**3 627**	3 407
– Cash deposit fees	**2 051**	1 969
– Commitment fees	**928**	765
– Commissions: bills, drafts and cheques	**876**	864
– Exchange commissions	**1 027**	877
– Brokerage income	**102**	70
– Bank charges	**14 403**	13 150
Knowledge-based fee and commission income	**1 002**	1 183
Management, trust and fiduciary fees	**1 599**	1 331
Insurance related income, including commission	**2 843**	2 733
Other non-banking fee and commission income	**781**	694
Fee and commission income*	**29 239**	27 043
Fee and commission expenses		
Transaction processing fees	**(896)**	(923)
Commission paid	**(300)**	(274)
Customer loyalty programmes	**(984)**	(735)
Cash sorting, handling and transportation charges	**(631)**	(557)
Card and cheque book related	**(293)**	(231)
ATM commissions paid	**(26)**	(26)
Other	**(505)**	(634)
Fee and commission expenses	**(3 635)**	(3 380)
Net fee and commission income	**25 604**	23 663
Fair value gains or losses		
Dividend income	**2 651**	2 967
Other fair value income	**4 108**	4 973
Fair value gains or losses	**6 759**	7 940

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

2 NON-INTEREST REVENUE continued

R million	Notes	2015	2014
Gains less losses from investing activities			
Gain/(loss) on disposal of investment securities and other investments		**45**	(27)
Reclassification from other comprehensive income on the derecognition/sale of available-for-sale assets		**293**	69
Preference share dividends from unlisted investments		**36**	34
Other dividends received		**102**	59
Gain on the disposal of investments in subsidiaries		**220**	14
Gain on remeasuring retained interest in subsidiaries disposed of		**–**	4
Gain on disposal of investments in associates		**847**	893
Loss on partial disposal of investments in joint ventures		**(1)**	–
Share of profit of associates after tax	14	**1 085**	670
Share of profit of joint ventures after tax	15	**454**	257
Fair value gains on investment properties held at fair value through profit or loss	20	**33**	–
Rental income from investment properties	20	**49**	42
Other gains from investing activities		**207**	231
Gross gains less losses from investing activities		**3 370**	2 246
Less: share of profit of associates after tax (disclosed separately on the face of the income statement)		**(1 085)**	(670)
Less: share of profit of joint ventures after tax (disclosed separately on the face of the income statement)		**(454)**	(257)
Gains less losses from investing activities		**1 831**	1 319
Other non-interest revenue			
Loss on disposal of property and equipment		**(5)**	(32)
Non-interest revenue from insurance operations		**31**	119
– Premium income		**83**	70
– (Decrease)/increase in value of net policyholder liabilities		**(52)**	49
Rental income		**1 032**	931
Operating income from non-banking activities		**1 550**	1 695
Other income		**619**	515
Other non-interest revenue		**3 227**	3 228
Total non-interest revenue		**37 421**	36 150

3 OPERATING EXPENSES

R million	Notes	2015	2014
Auditors' remuneration			
Audit fees	26	**(228)**	(187)
Fees for other services		**(67)**	(50)
Prior year under provision		**(6)**	(2)
Auditors' remuneration		**(301)**	(239)
Operating lease charges			
Property		**(1 126)**	(1 010)
Equipment		**(209)**	(196)
Motor vehicles		**(16)**	(15)
Operating lease charges		**(1 351)**	(1 221)
Staff costs			
Salaries, wages and allowances		**(13 978)**	(12 607)
Contributions to employee benefit funds		**(2 107)**	(1 869)
– Defined contribution schemes		**(1 974)**	(1 752)
– Defined benefit schemes	19.2	**(133)**	(117)
Social security levies		**(317)**	(245)
Share-based payments	31	**(2 303)**	(1 645)
Movement in staff related provision	19.1	**(3 890)**	(3 839)
Other		**(620)**	(466)
Total staff costs		**(23 215)**	(20 671)
Other operating costs			
Amortisation of intangible assets	17	**(102)**	(95)
Depreciation of property and equipment	16	**(2 093)**	(2 042)
Impairments incurred	3.1	**(100)**	(323)
Impairments reversed	3.1	**3**	–
Insurance		**(87)**	(81)
Advertising and marketing		**(1 546)**	(1 467)
Maintenance		**(986)**	(777)
Property		**(1 026)**	(921)
Computer		**(1 583)**	(1 569)
Stationery		**(210)**	(220)
Telecommunications		**(392)**	(417)
Total directors' remuneration*		**(30)**	(26)
Professional fees		**(1 598)**	(1 462)
Other operating expenditure		**(4 075)**	(3 917)
Other operating costs		**(13 825)**	(13 317)
Total operating expenses		**(38 692)**	(35 448)

* *More information is included in the corporate governance report.*

3 OPERATING EXPENSES continued

3.1 Impairments incurred and reversed

R million	Notes	2015	Description
Included in operating expenses			
Impairments reversed			
Property and equipment	16	**3**	Previously recognised impairments of repossessed vehicles within WesBank were reversed in the current year, as they were sold.
Impairments incurred		**(100)**	
Intangible assets	17	**(2)**	RMB Private Equity impaired acquired software by R2 million to its recoverable amount of Rnil. The recoverable amount was based on the fair value less costs to sell. The impairment was recognised as a result of software which was purchased that was never put into use. A decision was taken to scrap the software.
Other		**(98)**	Included in this category are impairments of accounts receivable. WesBank recognised impairments of R26 million and RMB Private Equity recognised impairments of R67 million after writing off accounts receivable to its recoverable amount which represents the value that is expected to be recovered. The remaining impairment amount relates to a number of individually immaterial impairments.
Total included in operating expenses	3	**(97)**	
Included in share of profit of associates and joint ventures			
Impairments reversed			
Investment in associates	14	**86**	RMB's Investment Banking division reversed a previously recognised impairment loss of R63 million relating to Primedia Holdings Proprietary Limited as a result of a revised valuation of the investment based on a price earning (P/E) model. RMB Private Equity reversed R23 million of previously recognised impairment losses on associates based on a semi-annual portfolio review to determine the market value of these investments. Both of these values are considered to be within level 3 of the *IFRS 13 Fair Value Measurement* fair value hierarchy. Refer to note 38 for additional information on these valuation techniques.
Investment in joint ventures	15	**27**	RMB's Investment Banking division reversed a previously recognised impairment loss of R37 million relating to Eris Property Fund. The recoverable amount was determined based on the underlying share price of a similar listed entity. The investment is considered to be within level 2 of the IFRS 13 fair value hierarchy. The group recognised an impairment loss of R10 million on various RMB Private Equity investments due to a semi-annual portfolio review to determine the market value of these investments. These investments are considered to be within level 3 of the IFRS 13 fair value hierarchy. Refer to note 38 for additional information on these valuation techniques.
Total included in share of profit of associates and joint ventures		**113**	

3 OPERATING EXPENSES continued

3.1 Impairments incurred and reversed

R million	Notes	2014	Description
Included in operating expenses			
Impairments incurred			
Property and equipment	16	(141)	Instant Access Holdings Proprietary Limited, a subsidiary of the group, impaired a property located in Australia. An impairment of R89 million was recognised as a result of the low levels of activity in the construction industry in Australia. This impairment is recognised in the RMB segment. A further impairment of property of R45 million was raised on units in a commercial building in Dubai. The property was handed over by the developer in a condition unsuitable for business purposes. This impairment is recognised in the FCC segment. There were no reversals of previously recognised impairments.
Intangible assets	17	(139)	A customer book ceased to generate income and was impaired by R10 million to its recoverable amount. WesBank and RMB Private Equity recognised R128 million impairment of goodwill. The WesBank subsidiary is based in South Africa and the RMB Private Equity subsidiary in Australia. The impairment is recognised in the WesBank and RMB segments. Refer to note 17 for details on the calculation of impairment of goodwill. There were no reversals of previously recognised impairments.
Other		(43)	There were no individually material impairments or reversals of impairments in the other category. This category includes the impairments of accounts receivable.
Total included in operating expenses	3	(323)	
Included in share of profit of associates and joint ventures			
Impairments incurred			
Investment in associates	14	(263)	As part of the acquisition and subsequent restructure of Primedia Holdings Proprietary Limited, the investment was impaired by R140 million. Refer to note 14.2 for more details about the transaction. The remaining impairments relate to various RMB Private Equity associates in South Africa and Australia.
Investment in joint ventures	15	(136)	The group impaired its investment in RMB Private Equity joint ventures by R136 million. The market value of the investments declined below its carrying amount and the impairment was recognised in the RMB segment to reflect this.
Total included in share of profit of associates and joint ventures		(399)	

4 INDIRECT AND INCOME TAX EXPENSE

R million	2015	2014
4.1 Indirect tax		
Value added tax (net)	**(855)**	(872)
Securities transfer tax	**(29)**	(6)
Total indirect tax	**(884)**	(878)
4.2 Income tax expense		
South African income tax		
Current	**(6 378)**	(5 224)
– Current year	**(6 339)**	(5 409)
– Prior year adjustment	**(39)**	185
Deferred income tax	**596**	423
– Current year	**651**	431
– Prior year adjustment	**(55)**	(8)
Total South African income tax	**(5 782)**	(4 801)
Foreign company and withholding tax		
Current	**(786)**	(713)
– Current year	**(787)**	(713)
– Prior year adjustment	**1**	–
Deferred income tax	**(119)**	(65)
– Current year	**(120)**	(68)
– Prior year adjustment	**1**	3
Total foreign company and withholding tax	**(905)**	(778)
Capital gains tax		
Current	**(19)**	(11)
Deferred income tax	**(16)**	2
Tax rate adjustment	**–**	(2)
Total capital gains tax	**(35)**	(11)
Customer tax adjustment account	**(9)**	(1)
Total income tax expense	**(6 731)**	(5 591)

Tax rate reconciliation

%	2015	2014
Standard rate of income tax	**28.0**	28.0
Total tax has been affected by:		
Non-taxable income	**(8.3)**	(7.0)
Foreign tax rate differential	**3.0**	3.1
Prior year adjustments	**0.3**	(0.7)
Amounts charged/transferred directly to other comprehensive income	**(0.4)**	–
Other non-deductible items	**(0.1)**	(1.4)
Effective rate of tax	**22.5**	22.0

Non-taxable income consists mainly of tax free dividend income.

5 EARNINGS PER SHARE

	2015	2014
Basic		
Basic earnings per share is calculated by dividing the net profit attributable to equityholders of the group by the weighted average number of ordinary shares in issue during the year, excluding the average number of ordinary shares purchased by the group and held as treasury shares.		
Earnings attributable to ordinary equityholders (R million)	**21 623**	18 440
Weighted average number of ordinary shares in issue	**5 543 556 976**	5 485 252 758
Basic earnings per share (cents)	**390.1**	336.2
Diluted		
Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares.		
Earnings attributable to ordinary equityholders (R million)	**21 623**	18 440
Actual number of shares		
Opening balance	**5 637 941 689**	5 637 941 689
Shares issued	**35 420 014**	–
Shares bought back	**(4 762 878)**	–
Shares cancelled	**(59 110 824)**	–
Less: treasury shares	**(2 956 365)**	(152 823 701)
– BEE staff trusts	**–**	(151 401 072)
– Shares for client trading	**(2 956 365)**	(1 422 629)
Number of shares in issue (after treasury shares)	**5 606 531 636**	5 485 117 988
Weighted average number of shares		
Weighted average number of shares before treasury shares	**5 637 941 689**	5 637 941 689
Shares issued	**14 944 335**	–
Shares bought back	**(2 374 915)**	–
Shares cancelled	**(29 474 438)**	–
Less: Treasury shares	**(77 479 695)**	(152 688 931)
– BEE staff trusts	**(75 907 935)**	(151 401 072)
– Shares for client trading	**(1 571 760)**	(1 287 859)
Weighted average number of shares in issue	**5 543 556 976**	5 485 252 758
Dilution impact:		
– Staff schemes	**–**	30 121
– BEE staff trust	**–**	57 719 182
Diluted weighted average number of shares in issue	**5 543 556 976**	5 543 002 061
Number of shares		
Weighted average number of shares in issue	**5 543 556 976**	5 485 252 758
Dilution impact	**–**	57 749 303
Diluted weighted average number of shares in issue	**5 543 556 976**	5 543 002 061
Diluted earnings per share (cents)	**390.1**	332.7

6 ANALYSIS OF ASSETS AND LIABILITIES

Financial assets and financial liabilities are measured either at fair value or at amortised cost. The principal accounting policies on pages 282 to 287 describe how the classes of financial instruments are measured and how income and expenses, including fair value gains and losses, are recognised.

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

		2015		
	Notes	**Held for trading**	**Designated at fair value through profit or loss**	**Held-to-maturity**
ASSETS				
Cash and cash equivalents	7	–	–	–
Derivative financial instruments	8	**33 807**	–	–
Commodities	9	–	–	–
Accounts receivable	10	–	–	–
Current tax asset		–	–	–
Advances	11	–	**201 299**	**16**
Investment securities and other investments	13	**44 478**	**72 030**	**786**
Investments in associates	14	–	–	–
Investments in joint ventures	15	–	–	–
Property and equipment	16	–	–	–
Intangible assets	17	–	–	–
Reinsurance assets	18	–	–	–
Post-employment benefit asset	19	–	–	–
Investment properties	20	–	–	–
Deferred income tax asset	21	–	–	–
Non-current assets and disposal groups held for sale	22	–	–	–
Total assets		**78 285**	**273 329**	**802**

	2015							
	Loans and receivables	Available-for-sale financial assets	Financial liabilities at amortised cost	Derivatives designated as hedging instruments	Non-financial instruments	Total carrying value	Current	Non-current
	65 567	–	–	–	–	65 567	65 567	–
	–	–	–	693	–	34 500	32 141	2 359
	–	–	–	–	7 354	7 354	7 354	–
	5 347	–	–	–	2 662	8 009	5 524	2 485
	–	–	–	–	115	115	59	56
	550 032	19	–	–	–	751 366	253 565	497 801
	193	47 684	–	–	–	165 171	85 632	79 539
	–	–	–	–	5 781	5 781	–	5 781
	–	–	–	–	1 282	1 282	–	1 282
	–	–	–	–	16 288	16 288	–	16 288
	–	–	–	–	1 068	1 068	–	1 068
	–	–	–	–	388	388	–	388
	–	–	–	–	4	4	–	4
	–	–	–	–	460	460	–	460
	–	–	–	–	1 540	1 540	–	1 540
	–	–	–	–	373	373	373	–
	621 139	47 703	–	693	37 315	1 059 266	450 215	609 051

6 ANALYSIS OF ASSETS AND LIABILITIES continued

		2015		
	Notes	Held for trading	Designated at fair value through profit or loss	Held-to-maturity
LIABILITIES				
Short trading positions	23	**5 685**	–	–
Derivative financial instruments	8	**40 423**	–	–
Creditors and accruals	24	–	–	–
Current tax liability		–	–	–
Deposits	25	–	**116 114**	–
Provisions	26	–	–	–
Employee liabilities	19	–	–	–
Other liabilities	27	–	**3 348**	–
Policyholder liabilities	18	–	–	–
Deferred income tax liability	21	–	–	–
Tier 2 liabilities	28	–	–	–
Liabilities directly associated with disposal groups held for sale	22	–	–	–
Total liabilities		**46 108**	**119 462**	–

The *risk and capital management report* on pages 139 to 274 contains further information about the risk associated with various financial assets and financial liabilities recognised in the statement of financial position.

Refer to note 36 for information about changes in the group's own credit risk and the impact on the financial liabilities of the group.

Refer to note 38 for additional information relating to the fair value of financial assets and financial liabilities.

	2015							
	Loans and receivables	**Available-for-sale financial assets**	**Financial liabilities at amortised cost**	**Derivatives designated as hedging instruments**	**Non-financial instruments**	**Total carrying value**	**Current**	**Non-current**
	–	–	–	–	–	5 685	5 685	–
	–	–	–	494	–	40 917	36 959	3 958
	–	–	6 221	–	10 780	17 001	12 605	4 396
	–	–	–	–	353	353	209	144
	–	–	749 407	–	–	865 521	719 500	146 021
	–	–	–	–	623	623	208	415
	–	–	–	–	9 734	9 734	5 713	4 021
	–	–	3 526	–	2	6 876	1 523	5 353
	–	–	–	–	542	542	55	487
	–	–	–	–	913	913	–	913
	–	–	12 497	–	–	12 497	114	12 383
	–	–	–	–	–	–	–	–
	–	–	771 651	494	22 947	960 662	782 571	178 091

6 ANALYSIS OF ASSETS AND LIABILITIES continued

		2014		
	Notes	Held for trading	Designated at fair value through profit or loss	Held-to-maturity
ASSETS				
Cash and cash equivalents	7	–	–	–
Derivative financial instruments	8	38 020	–	–
Commodities	9	–	–	–
Accounts receivable	10	–	–	–
Current tax asset		–	–	–
Advances	11	–	183 711	30
Investment securities and other investments	13	32 320	55 832	490
Investments in associates	14	–	–	–
Investments in joint ventures	15	–	–	–
Property and equipment	16	–	–	–
Intangible assets	17	–	–	–
Reinsurance assets	18	–	–	–
Post-employment benefit asset	19	–	–	–
Investment properties	20	–	–	–
Deferred income tax asset	21	–	–	–
Non-current assets and disposal groups held for sale	22	–	–	–
Total assets		70 340	239 543	520
LIABILITIES				
Short trading positions	23	5 442	–	–
Derivative financial instruments	8	41 259	–	–
Creditors and accruals	24	–	–	–
Current tax liability		–	–	–
Deposits	25	–	104 762	–
Provisions	26	–	–	–
Employee liabilities	19	–	–	–
Other liabilities	27	–	3 505	–
Policyholder liabilities	18	–	–	–
Deferred income tax liability	21	–	–	–
Tier 2 liabilities	28	–	1 030	–
Liabilities directly associated with disposal groups held for sale	22	–	–	–
Total liabilities		46 701	109 297	–

	2014							
	Loans and receivables	**Available-for-sale financial assets**	**Financial liabilities at amortised cost**	**Derivatives designated as hedging instruments**	**Non-financial instruments**	**Total carrying value**	**Current**	**Non-current**
	60 756	–	–	–	–	60 756	60 756	–
	–	–	–	1 018	–	39 038	37 032	2 006
	–	–	–	–	7 904	7 904	7 904	–
	5 938	–	–	–	2 221	8 159	7 532	627
	–	–	–	–	131	131	–	131
	502 163	22	–	–	–	685 926	225 632	460 294
	582	29 883	–	–	–	119 107	71 555	47 552
	–	–	–	–	5 847	5 847	–	5 847
	–	–	–	–	1 205	1 205	–	1 205
	–	–	–	–	14 495	14 495	–	14 495
	–	–	–	–	1 047	1 047	–	1 047
	–	–	–	–	408	408	–	408
	–	–	–	–	5	5	5	–
	–	–	–	–	419	419	–	419
	–	–	–	–	862	862	–	862
	–	–	–	–	226	226	226	–
	569 439	29 905	–	1 018	34 770	945 535	410 642	534 893
	–	–	–	–	–	5 442	5 442	–
	–	–	–	400	–	41 659	39 626	2 033
	–	–	5 987	–	7 450	13 437	12 178	1 259
	–	–	–	–	369	369	–	369
	–	–	663 472	–	–	768 234	658 017	110 217
	–	–	–	–	797	797	445	352
	–	–	–	–	7 441	7 441	5 478	1 963
	–	–	3 075	–	6	6 586	1 434	5 152
	–	–	–	–	540	540	44	496
	–	–	–	–	796	796	–	796
	–	–	10 953	–	–	11 983	1 792	10 191
	–	–	–	–	34	34	34	–
	–	–	683 487	400	17 433	857 318	724 490	132 828

7 CASH AND CASH EQUIVALENTS

R million	2015	2014
Coins and bank notes	**8 736**	6 109
Money at call and short notice	**34 279**	35 385
Balances with central banks	**22 552**	19 262
Cash and cash equivalents	**65 567**	60 756
Mandatory reserve balances included above	**21 489**	17 322

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

Money at short notice constitutes amounts withdrawable in 32 days or less.

8 DERIVATIVE FINANCIAL INSTRUMENTS

Use of derivatives

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

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

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

The group's detailed risk management strategy, including the use of hedging instruments in risk management, is set out in the *risk and capital management report* on pages 139 to 274.

Credit risk mitigation

Collateral is an important mitigant of credit risk and the group holds cash collateral on its net derivative position. The table below sets out the cash collateral held against the net derivative position.

R million	2015	2014
Cash collateral held	**5 286**	6 328

Held for trading activities

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

Hedging instruments

Fair value hedges

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

R million	2015	2014
Gains for the year arising from the change in fair value of fair value hedges		
– On hedging instruments	**(552)**	(230)
– On hedged items attributable to the hedged risk	**530**	225
Total	**(22)**	(5)

8 DERIVATIVE FINANCIAL INSTRUMENTS continued

Cash flow hedges

The group raises funding and holds assets that bear interest at variable and fixed rates. This mix of interest rates in the group's assets and liabilities exposes the group to interest rate risk. Changes in the market interest rates have an impact on the group's profit or loss. The group has hedges in place to manage this risk. These hedges are accounted for as cash flow hedges.

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

The group uses the following derivatives as hedging instruments:

- forward rate agreements are negotiated interest rate futures that call for cash settlement at a future date for the difference between the contractual and market rates of interest, based on a notional principal amount; and
- interest rate swaps are commitments to exchange one set of cash flows for another, resulting in the economic exchange of interest rates (for example fixed rate for floating rate). No exchange of principal takes place.

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

R million	2015	2014
Hedge ineffectiveness recognised in profit or loss (net of tax)	**10**	43

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

	2015		2014	
R million	**Assets**	**Liabilities**	**Assets**	**Liabilities**
0 – 3 months	**31**	**5**	49	16
4 – 12 months	**100**	**(87)**	195	(142)
1 – 5 years	**128**	**(430)**	(1)	(759)
Over 5 years	**84**	**(93)**	5	(35)
Total	**343**	**(605)**	248	(920)

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

	2015		2014	
R million	**Assets**	**Liabilities**	**Assets**	**Liabilities**
0 – 3 months	**(5)**	**26**	(30)	40
4 – 12 months	**(87)**	**106**	(127)	216
1 – 5 years	**(433)**	**123**	(733)	9
Over 5 years	**(78)**	**83**	(20)	5
Total	**(603)**	**338**	(910)	270

8 DERIVATIVE FINANCIAL INSTRUMENTS continued

	2015			
	Assets		Liabilities	
R million	Notional	Fair value	Notional	Fair value
Qualifying for hedge accounting				
Cash flow hedges				
Interest rate derivatives	45 003	528	58 423	350
– Forward rate agreements	1 150	1	900	–
– Swaps	43 853	527	57 523	350
Total cash flow hedges	45 003	528	58 423	350
Fair value hedges				
Interest rate derivatives	17 298	165	14 543	144
– Swaps	17 298	165	14 543	144
Commodity derivatives	2 516	–	–	–
– Futures	2 516	–	–	–
Total fair value hedges	19 814	165	14 543	144
Total qualifying for hedge accounting	64 817	693	72 966	494
Held for trading				
Currency derivatives	243 561	6 100	296 711	11 949
– Swaps	184 842	4 372	236 283	9 682
– Options	34 054	1 106	26 210	570
– Futures	24 665	622	34 218	1 697
Interest rate derivatives	6 791 213	23 937	6 990 944	24 145
– Forward rate agreements	4 547 956	2 769	4 578 058	2 783
– Swaps	1 940 382	20 560	1 925 165	20 495
– Options	295 943	541	465 223	841
– Futures	6 932	67	22 498	26
Equity derivatives	69 493	2 949	50 153	4 093
– Swaps	3 037	2 201	–	–
– Options	32 139	283	33 990	3 884
– Futures	34 317	465	16 163	209
Commodity derivatives	14 649	731	24 302	164
– Swaps	4 764	276	762	75
– Options	995	44	344	33
– Futures	8 890	411	23 196	56
Energy derivatives	38	–	764	3
– Swaps	38	–	77	2
– Futures	–	–	687	1
Credit derivatives	15 264	90	3 728	69
Total held for trading	7 134 218	33 807	7 366 602	40 423
Total	7 199 035	34 500	7 439 568	40 917

8 DERIVATIVE FINANCIAL INSTRUMENTS continued

	2015					
	Assets: Derivative instruments					
	Exchange traded		Over the counter		Total	
R million	**Notional**	**Fair value**	**Notional**	**Fair value**	**Notional**	**Fair value**
Qualifying for hedge accounting						
Cash flow hedges	–	–	45 003	528	45 003	528
– Interest rate derivatives	–	–	45 003	528	45 003	528
Fair value hedges	2 516	–	17 298	165	19 814	165
– Interest rate derivatives	–	–	17 298	165	17 298	165
– Commodity derivatives	2 516	–	–	–	2 516	–
Held for trading	11 531	87	7 122 687	33 720	7 134 218	33 807
– Currency derivatives	–	–	243 561	6 100	243 561	6 100
– Interest rate derivatives	4 067	–	6 787 146	23 937	6 791 213	23 937
– Equity derivatives	517	–	68 976	2 949	69 493	2 949
– Commodity derivatives	6 947	87	7 702	644	14 649	731
– Energy derivatives	–	–	38	–	38	–
– Credit derivatives	–	–	15 264	90	15 264	90
Total	14 047	87	7 184 988	34 413	7 199 035	34 500

	2015					
	Liabilities: Derivative instruments					
	Exchange traded		Over the counter		Total	
R million	**Notional**	**Fair value**	**Notional**	**Fair value**	**Notional**	**Fair value**
Qualifying for hedge accounting						
Cash flow hedges	–	–	58 423	350	58 423	350
– Interest rate derivatives	–	–	58 423	350	58 423	350
Fair value hedges	–	–	14 543	144	14 543	144
– Interest rate derivatives	–	–	14 543	144	14 543	144
Held for trading	52 341	44	7 314 261	40 379	7 366 602	40 423
– Currency derivatives	411	–	296 300	11 949	296 711	11 949
– Interest rate derivatives	21 646	2	6 969 298	24 143	6 990 944	24 145
– Equity derivatives	6 930	–	43 223	4 093	50 153	4 093
– Commodity derivatives	22 667	41	1 635	123	24 302	164
– Energy derivatives	687	1	77	2	764	3
– Credit derivatives	–	–	3 728	69	3 728	69
Total	52 341	44	7 387 227	40 873	7 439 568	40 917

8 DERIVATIVE FINANCIAL INSTRUMENTS continued

	2014			
	Assets		Liabilities	
R million	Notional	Fair value	Notional	Fair value
Qualifying for hedge accounting				
Cash flow hedges				
Interest rate derivatives	83 888	852	49 786	306
– Forward rate agreements	27 405	5	5 805	5
– Swaps	56 483	847	43 981	301
Total cash flow hedges	83 888	852	49 786	306
Fair value hedges				
Interest rate derivatives	14 086	166	12 492	94
– Swaps	14 086	166	12 492	94
Commodity derivatives	1 769	–	–	–
– Futures	1 769	–	–	–
Total fair value hedges	15 855	166	12 492	94
Total qualifying for hedge accounting	99 743	1 018	62 278	400
Held for trading				
Currency derivatives	305 758	6 351	298 148	8 578
– Swaps	262 094	4 616	257 793	7 126
– Options	19 647	1 153	19 118	759
– Futures	24 017	582	21 237	693
Interest rate derivatives	8 331 595	29 082	7 998 745	29 478
– Forward rate agreements	6 153 870	3 918	6 017 725	3 910
– Swaps	1 750 199	24 710	1 767 588	24 893
– Options	422 879	426	207 987	661
– Futures	4 647	28	5 445	14
Equity derivatives	56 936	2 048	49 881	2 925
– Swaps	3 441	1 023	–	–
– Options	26 109	640	40 339	2 446
– Futures	27 386	385	9 542	479
Commodity derivatives	19 627	456	6 692	221
– Swaps	2 835	154	5 065	146
– Options	415	18	486	18
– Futures	16 377	284	1 141	57
Credit derivatives	3 488	83	5 853	57
Total held for trading	8 717 404	38 020	8 359 319	41 259
Total	8 817 147	39 038	8 421 597	41 659

8 DERIVATIVE FINANCIAL INSTRUMENTS continued

	2014					
	Assets: Derivative instruments					
	Exchange traded		Over the counter		Total	
R million	Notional	Fair value	Notional	Fair value	Notional	Fair value
Qualifying for hedge accounting						
Cash flow hedges	–	–	83 888	852	83 888	852
– Interest rate derivatives	–	–	83 888	852	83 888	852
Fair value hedges	1 769	–	14 086	166	15 855	166
– Interest rate derivatives	–	–	14 086	166	14 086	166
– Commodity derivatives	1 769	–	–	–	1 769	–
Held for trading	22 895	16	8 694 509	38 004	8 717 404	38 020
– Currency derivatives	1 994	–	303 764	6 351	305 758	6 351
– Interest rate derivatives	2 118	1	8 329 477	29 081	8 331 595	29 082
– Equity derivatives	4 517	–	52 419	2 048	56 936	2 048
– Commodity derivatives	14 266	15	5 361	441	19 627	456
– Credit derivatives	–	–	3 488	83	3 488	83
Total	24 664	16	8 792 483	39 022	8 817 147	39 038

	2014					
	Liabilities: Derivative instruments					
	Exchange traded		Over the counter		Total	
R million	Notional	Fair value	Notional	Fair value	Notional	Fair value
Qualifying for hedge accounting						
Cash flow hedges	–	–	49 786	306	49 786	306
– Interest rate derivatives	–	–	49 786	306	49 786	306
Fair value hedges	–	–	12 492	94	12 492	94
– Interest rate derivatives	–	–	12 492	94	12 492	94
Held for trading	3 848	10	8 355 471	41 249	8 359 319	41 259
– Currency derivatives	23	4	298 125	8 574	298 148	8 578
– Interest rate derivatives	3 718	4	7 995 027	29 474	7 998 745	29 478
– Equity derivatives	–	–	49 881	2 925	49 881	2 925
– Commodity derivatives	107	2	6 585	219	6 692	221
– Credit derivatives	–	–	5 853	57	5 853	57
Total	3 848	10	8 417 749	41 649	8 421 597	41 659

9 COMMODITIES

R million	2015	2014
Agricultural commodities	**1 406**	2 077
Gold	**5 948**	5 827
Total commodities	**7 354**	7 904

Certain commodities are subject to option agreements whereby the counterparty may acquire the commodity at a future date. The price risk in these commodities is fully hedged through a short position and if the party exercises the option the net profit earned on the transaction will be an interest margin.

10 ACCOUNTS RECEIVABLE

R million	Notes	2015	2014
Items in transit		**2 184**	2 154
Interest and commission accrued		**118**	61
Prepayments		**863**	746
Properties held for resale	34	**75**	116
Sundry debtors		**1 373**	2 216
Dividends receivable		**1 336**	317
Other accounts receivable		**2 060**	2 549
Total accounts receivable		**8 009**	8 159
Analysis of accounts receivable			
Financial		**5 347**	5 938
Non-financial		**2 662**	2 221
Total accounts receivable		**8 009**	8 159

The credit quality of the financial instruments included in accounts receivable is provided in the table below.

	2015					
		Past due but not impaired				
R million	Neither past due nor impaired	1 – 30 days	31 – 60 days	61 – 90 days	Impaired	Total
Items in transit	**1 572**	**–**	**–**	**–**	**–**	**1 572**
Interest and commission accrued	**118**	**–**	**–**	**–**	**–**	**118**
Sundry debtors	**1 243**	**46**	**1**	**17**	**12**	**1 319**
Other accounts receivable	**2 185**	**62**	**22**	**19**	**50**	**2 338**
Total financial accounts receivable	**5 118**	**108**	**23**	**36**	**62**	**5 347**

	2014					
		Past due but not impaired				
R million	Neither past due nor impaired	1 – 30 days	31 – 60 days	61 – 90 days	Impaired	Total
Items in transit	1 960	38	–	–	–	1 998
Interest and commission accrued	61	–	–	–	–	61
Sundry debtors	2 028	59	8	8	–	2 103
Other accounts receivable	1 734	25	9	8	–	1 776
Total financial accounts receivable	5 783	122	17	16	–	5 938

11 ADVANCES

	2015					
R million	**Notes**	**Designated at fair value through profit or loss**	**Held-to-maturity**	**Loans and receivables**	**Available-for-sale**	**Total**
Notional value of advances		**201 299**	**26**	**562 803**	**19**	**764 147**
Contractual interest suspended		**–**	**(6)**	**(1 545)**	**–**	**(1 551)**
Gross value of advances		**201 299**	**20**	**561 258**	**19**	**762 596**
Sector analysis						
Agriculture		**1 236**	**–**	**27 362**	**19**	**28 617**
Banks		**11 928**	**–**	**4 700**	**–**	**16 628**
Financial institutions		**59 238**	**–**	**22 123**	**–**	**81 361**
Building and property development		**18 271**	**–**	**11 747**	**–**	**30 018**
Government, Land Bank and public authorities		**13 499**	**–**	**4 185**	**–**	**17 684**
Individuals		**461**	**20**	**378 048**	**–**	**378 529**
Manufacturing and commerce		**38 631**	**–**	**61 231**	**–**	**99 862**
Mining		**18 104**	**–**	**7 400**	**–**	**25 504**
Transport and communication		**10 847**	**–**	**6 934**	**–**	**17 781**
Other services		**29 084**	**–**	**37 528**	**–**	**66 612**
Gross value of advances		**201 299**	**20**	**561 258**	**19**	**762 596**
Impairment of advances	12	**–**	**(4)**	**(11 226)**	**–**	**(11 230)**
Net advances		**201 299**	**16**	**550 032**	**19**	**751 366**

11 ADVANCES continued

	2015					
R million	**Notes**	**Designated at fair value through profit or loss**	**Held-to-maturity**	**Loans and receivables**	**Available-for-sale**	**Total**
Category analysis						
Overdrafts and cash management accounts		–	–	59 345	–	59 345
Term loans		7 378	–	38 382	7	45 767
Card loans		–	–	21 103	–	21 103
Instalment sales and hire purchase agreements		–	–	157 037	12	157 049
Lease payments receivable		–	–	8 266	–	8 266
Property finance		271	20	214 160	–	214 451
– Home loans		–	20	190 455	–	190 475
– Commercial property finance		271	–	23 705	–	23 976
Personal loans		–	–	31 207	–	31 207
Preference share agreements		31 242	–	1 629	–	32 871
Assets under agreement to resell		37 884	–	2 969	–	40 853
Investment bank term loans		124 146	–	1 018	–	125 164
Long-term loans to group associates and joint ventures		70	–	1 961	–	2 031
Other		308	–	24 181	–	24 489
Gross value of advances		201 299	20	561 258	19	762 596
Impairment of advances	12	–	(4)	(11 226)	–	(11 230)
Net advances		201 299	16	550 032	19	751 366
Geographic analysis (based on credit risk)						
South Africa		164 852	20	464 171	19	629 062
Other Africa		25 365	–	53 614	–	78 979
United Kingdom		7 364	–	35 915	–	43 279
Other		3 718	–	7 558	–	11 276
– Europe		1 363	–	3 831	–	5 194
– North America		307	–	723	–	1 030
– South America		718	–	21	–	739
– Australasia		76	–	922	–	998
– Asia		1 254	–	2 061	–	3 315
Gross value of advances		201 299	20	561 258	19	762 596
Impairment of advances	12	–	(4)	(11 226)	–	(11 230)
Net advances		201 299	16	550 032	19	751 366

11 ADVANCES continued

	2014					
R million	**Notes**	**Designated at fair value through profit or loss**	**Held-to-maturity**	**Loans and receivables**	**Available-for-sale**	**Total**
Notional value of advances		183 711	36	514 178	22	697 947
Contractual interest suspended		–	(5)	(1 631)	–	(1 636)
Gross value of advances		183 711	31	512 547	22	696 311
Sector analysis						
Agriculture		417	–	22 473	22	22 912
Banks		4 175	–	4 379	–	8 554
Financial institutions		55 286	–	19 892	–	75 178
Building and property development		22 503	–	11 458	–	33 961
Government, Land Bank and public authorities		11 436	–	4 847	–	16 283
Individuals		307	31	355 880	–	356 218
Manufacturing and commerce		38 669	–	50 806	–	89 475
Mining		17 225	–	5 748	–	22 973
Transport and communication		12 141	–	7 371	–	19 512
Other services		21 552	–	29 693	–	51 245
Gross value of advances		183 711	31	512 547	22	696 311
Impairment of advances	12	–	(1)	(10 384)	–	(10 385)
Net advances		183 711	30	502 163	22	685 926

11 ADVANCES continued

R million	Notes	2014 Designated at fair value through profit or loss	Held-to-maturity	Loans and receivables	Available-for-sale	Total
Category analysis						
Overdrafts and cash management accounts		–	–	53 670	–	53 670
Term loans		1 569	–	30 795	22	32 386
Card loans		–	–	17 332	–	17 332
Instalment sales and hire purchase agreements		–	–	142 401	–	142 401
Lease payments receivable		–	–	9 398	–	9 398
Property finance		302	31	202 496	–	202 829
– Home loans		–	31	184 903	–	184 934
– Commercial property finance		302	–	17 593	–	17 895
Personal loans		–	–	27 261	–	27 261
Preference share agreements		26 498	–	2 805	–	29 303
Assets under agreement to resell		31 390	–	1 921	–	33 311
Investment bank term loans		121 464	–	1 030	–	122 494
Long-term loans to group associates and joint ventures		7	–	2 225	–	2 232
Other		2 481	–	21 213	–	23 694
Gross value of advances		183 711	31	512 547	22	696 311
Impairment of advances	12	–	(1)	(10 384)	–	(10 385)
Net advances		183 711	30	502 163	22	685 926
Geographic analysis (based on credit risk)						
South Africa		161 200	31	435 894	22	597 147
Other Africa		16 270	–	46 003	–	62 273
United Kingdom		3 944	–	24 370	–	28 314
Other		2 297	–	6 280	–	8 577
– Europe		864	–	3 452	–	4 316
– North America		504	–	719	–	1 223
– South America		–	–	161	–	161
– Australasia		107	–	1 058	–	1 165
– Asia		822	–	890	–	1 712
Gross value of advances		183 711	31	512 547	22	696 311
Impairment of advances	12	–	(1)	(10 384)	–	(10 385)
Net advances		183 711	30	502 163	22	685 926

11 ADVANCES continued

	2015			
R million	**Within 1 year**	**Between 1 and 5 years**	**More than 5 years**	**Total**
Analysis of instalment sales and lease payments receivable				
Lease payments receivable	**2 023**	**6 558**	**570**	**9 151**
Suspensive sale instalments receivable	**50 498**	**135 759**	**8 519**	**194 776**
Sub total	**52 521**	**142 317**	**9 089**	**203 927**
Less: unearned finance charges	**(9 400)**	**(27 062)**	**(2 007)**	**(38 469)**
Total gross instalment sales and lease payments receivable	**43 121**	**115 255**	**7 082**	**165 458**
Less: interest in suspense				**(143)**
Total net instalment sales and lease payments receivable				**165 315**

	2014			
R million	**Within 1 year**	**Between 1 and 5 years**	**More than 5 years**	**Total**
Analysis of instalment sales and lease payments receivable				
Lease payments receivable	2 478	6 975	614	10 067
Suspensive sale instalments receivable	45 820	123 136	9 339	178 295
Sub total	48 298	130 111	9 953	188 362
Less: unearned finance charges	(8 912)	(25 373)	(2 181)	(36 466)
Total gross instalment sales and lease payments receivable	39 386	104 738	7 772	151 896
Less: interest in suspense				(97)
Total net instalment sales and lease payments receivable				151 799

Under the terms of the lease agreements, no contingent rentals are payable. These agreements relate to motor vehicles and equipment. The accumulated allowance for uncollectible minimum lease payments receivable included in the allowance for impairments at the reporting date is R132 million (2014: R137 million).

11 ADVANCES continued

Securitisation transactions

In a synthetic securitisation transaction, credit risk related to specific advances is transferred to a structured entity through credit derivatives. The securitised advances are neither transferred nor derecognised and associated credit derivatives are recognised at fair value through profit or loss. The group consolidates these securitisation vehicles as structured entities, in terms of IFRS 10.

Fresco II, was a bankruptcy remote structured entity that was created in the past to facilitate synthetic securitisation transactions in the group. The securitisation matured on 2 August 2013. During the periods that the structure was in place credit risk relating to R5 billion of corporate advances were transferred to the structured entity.

In a traditional securitisation transaction, specific advances are transferred to a structured entity, which then issues liabilities to third party investors, for example variable rate notes. The group consolidates these securitisation vehicles as structured entities under IFRS 10 (refer to note 44) and has therefore not derecognised the securitised advances. The group's obligations (associated liability) toward the third party note holders is limited to the cash flows received on the underlying securitised advances, i.e. the note holders only have a claim to the ring fenced advances in the structured entity, and not to other assets of the group.

The following bankruptcy remote structured entities were created to facilitate traditional securitisation transactions related to WesBank (Nitro 4 and Nitro 5) and MotoNovo (Turbo Finance 2, 3, 4 and 5) retail instalment sale advances.

Name of securitisation	Established	Initial transaction value	Carrying value of assets		Carrying value of liabilities	
			2015	2014	2015	2014
Nitro 4	July 2011	R4 billion	**12**	729	**12**	729
Nitro 5	June 2015	R2.4 billion	**2 475**	–	**2 475**	–
Turbo Finance 2	March 2013	GBP314 million	**–**	1 235	**–**	1 216
Turbo Finance 3	November 2012	GBP326 million	**890**	2 299	**851**	2 252
Turbo Finance 4	November 2013	GBP374 million	**5 595**	7 689	**5 571**	7 628
Turbo Finance 5	September 2014	GBP420 million	**9 075**	–	**9 041**	–

In the current year the Turbo Finance 2 securitisation was wound up and the notes called and settled. The process for winding down the Nitro 4 securitisation was also initiated in the current year and is expected to be finalised in the 2016 financial year.

11 ADVANCES continued

Credit risk mitigation

Collateral is an important mitigant of credit risk. Refer to the *risk and capital management report* on pages 177 to 214 of the group's credit risk management strategy with detailed information on credit risk mitigation.

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

R million	2015	2014
FNB retail	**7 101**	7 419
FNB commercial	**542**	482
Total FNB	**7 643**	7 901
RMB investment banking	**1 135**	1 056
RMB corporate banking	**30**	26
Total RMB	**1 165**	1 082
WesBank	**2 135**	1 959
FCC and other	**–**	73
Total	**10 943**	11 015

The financial effect of collateral and other credit enhancements has been calculated separately per class of advance for the performing book (IBNR and portfolio specific impairments) and the non-performing book. The amounts disclosed above represent the difference between the impairment recognised in the statement of financial position using the actual LGD and a proxy LGD for all secured portfolios. The proxy LGD is based on the LGD used to determine the balance sheet impairment for unsecured portfolios.

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

It is the group's policy that all items of collateral are valued at the inception of a transaction and at various points throughout the life of a transaction, either through physical inspection or indexation methods, as appropriate. For wholesale and commercial portfolios, the value of collateral is reviewed as part of the annual facility review. For mortgage portfolios, collateral valuations are updated on an ongoing basis through statistical indexation models. However, in the event of default, more detailed reviews and valuations of collateral are performed, which yields a more accurate financial effect.

12 IMPAIRMENT OF ADVANCES

Significant loans and advances are monitored by the credit committee and impaired according to the group's impairment policy when an indication of impairment is observed.

The following factors are considered when determining whether there is objective evidence that the asset has been impaired:

- breaches of loan covenants and conditions;
- time period of overdue contractual payments;
- actuarial credit models;
- loss of employment or death of the borrower; and
- probability of liquidation of the customer.

Where objective evidence of impairment exists, impairment testing is performed based on LGD, PD and EAD.

	2015			
	FNB		RMB	
R million	Retail	Commercial	Investment banking	Corporate banking
Analysis of movement in impairment of advances per class of advance				
Opening balance	**4 603**	**1 061**	**453**	**252**
Amounts written off	**(3 276)**	**(266)**	**(45)**	**(35)**
Disposals of subsidiaries	**–**	**–**	**(71)**	**–**
Transfers (to)/from other divisions	**(35)**	**–**	**–**	**35**
Transfer to non-current assets or disposal groups held for sale	**–**	**–**	**–**	**–**
Reclassifications	**–**	**–**	**–**	**–**
Exchange rate differences	**4**	**(1)**	**14**	**(1)**
Unwinding of discounted present value on NPLs	**(84)**	**(2)**	**–**	**–**
Net new impairments created/(released)*	**3 432**	**341**	**312**	**113**
Closing balance	**4 644**	**1 133**	**663**	**364**
(Increase)/decrease in impairments*	**(3 432)**	**(341)**	**(312)**	**(113)**
Recoveries of bad debts previously written off	**1 258**	**30**	**–**	**1**
Impairment (loss)/profit recognised in profit or loss	**(2 174)**	**(311)**	**(312)**	**(112)**

* *Refer to the risk management framework and governance structure report in the following category for more details: Credit risk – under the impairment of financial assets and NPLs section.*

	2015				
	WesBank	FCC and other	Total impairment	Specific impairment	Portfolio impairment
	2 669	1 347	10 385	5 575	4 810
	(2 378)	–	(6 000)	(6 000)	–
	–	–	(71)	(71)	–
	–	–	–	–	–
	(30)	–	(30)	(30)	–
	–	–	–	65	(65)
	9	–	25	12	13
	(8)	–	(94)	(94)	–
	3 115	(298)	7 015	6 410	605
	3 377	1 049	11 230	5 867	5 363
	(3 115)	298	(7 015)	(6 410)	(605)
	576	–	1 865	1 865	–
	(2 539)	298	(5 150)	(4 545)	(605)

12 IMPAIRMENT OF ADVANCES continued

	2014			
	FNB		RMB	
R million	Retail	Commercial	Investment banking	Corporate banking
Analysis of movement in impairment of advances per class of advance				
Opening balance	4 852	1 007	279	233
Amounts written off	(3 472)	(195)	(8)	(4)
Transfers from/(to) other divisions	123	(111)	–	(10)
Reclassifications	–	–	–	–
Exchange rate difference	7	5	5	–
Unwinding of discounted present value on non-performing loans	(116)	(8)	–	–
Net new impairments created	3 209	363	177	33
Closing balance	4 603	1 061	453	252
Increase in impairments	(3 209)	(363)	(177)	(33)
Recoveries of bad debts previously written off	1 058	101	–	1
Impairment loss recognised in profit or loss	(2 151)	(262)	(177)	(32)

2014					
	WesBank	FCC and other	Total impairment	Specific impairment	Portfolio impairment
	2 256	806	9 433	5 713	3 720
	(2 148)	(8)	(5 835)	(5 835)	–
	(2)	–	–	–	–
	–	–	–	(7)	7
	10	–	27	17	10
	(11)	–	(135)	(135)	–
	2 564	549	6 895	5 822	1 073
	2 669	1 347	10 385	5 575	4 810
	(2 564)	(549)	(6 895)	(5 822)	(1 073)
	483	–	1 643	1 643	–
	(2 081)	(549)	(5 252)	(4 179)	(1 073)

12 IMPAIRMENT OF ADVANCES continued

	2015		
R million	**Total value net of interest in suspense**	**Security held and expected recoveries**	**Specific impairment**
NPLs by sector			
Agriculture	276	193	83
Financial institutions	99	46	53
Building and property development	1 589	1 353	236
Government, Land Bank and public authorities	9	6	3
Individuals	11 403	7 408	3 995
Manufacturing and commerce	1 384	688	696
Mining	1 319	1 204	115
Transport and communication	185	98	87
Other	1 237	638	599
Total NPLs	**17 501**	**11 634**	**5 867**
NPLs by category			
Overdrafts and cash management accounts	1 422	506	916
Term loans	1 170	831	339
Card loans	465	122	343
Instalment sales and hire purchase agreements	4 774	3 071	1 703
Lease payments receivable	308	152	156
Property finance	5 213	4 155	1 058
– Home loans	4 801	3 859	942
– Commercial property finance	412	296	116
Personal loans	1 783	658	1 125
Investment bank term loans	1 827	1 827	–
Long-term loans to group associates and joint ventures	265	120	145
Other	274	192	82
Total NPLs	**17 501**	**11 634**	**5 867**

For asset finance, the total security value reflected represents only the realisation value estimates of the vehicles repossessed at the date of repossession. Where the repossession has not yet occurred, the realisation value of the vehicle is estimated using internal models and is included as part of the recoveries total.

The group makes use of the allowance account method for the purpose of impairing loans and advances that are measured at amortised cost. Fair value gains and losses that arise on the remeasurement of loans and advances that are measured at fair value are included in fair value income in non-interest revenue. The total value NPLs, reflected above, includes the cumulative fair value adjustment applicable to RMB investment banking NPLs of R1 166 million at June 2015 (R1 066 million at June 2014). The age analysis of advances contained in the *risk and capital management report* reflects NPLs net of the cumulative fair value adjustment. Refer to page 189.

12 IMPAIRMENT OF ADVANCES continued

R million	2015 Total value net of interest in suspense	2015 Security held and expected recoveries	2015 Specific impairment
NPLs by class			
FNB retail	7 373	4 833	2 540
FNB commercial	1 301	549	752
Total FNB	8 674	5 382	3 292
RMB investment banking	2 893	2 600	293
RMB corporate banking	84	78	6
Total RMB	2 977	2 678	299
WesBank	5 850	3 574	2 276
Total NPLs	17 501	11 634	5 867
NPLs by geographical area			
South Africa	14 942	9 667	5 275
Other Africa	1 790	1 427	363
United Kingdom	151	60	91
Other	618	480	138
– Europe	90	47	43
– North America	427	395	32
– South America	20	20	–
– Australasia	1	-	1
– Asia	80	18	62
Total NPLs	17 501	11 634	5 867

12 IMPAIRMENT OF ADVANCES continued

	2014		
R million	**Total value net of interest in suspense**	**Security held and expected recoveries**	**Specific impairment**
NPLs by sector			
Agriculture	200	143	57
Financial institutions	167	47	120
Building and property development	2 194	1 850	344
Government, Land Bank and public authorities	53	19	34
Individuals	11 729	7 836	3 893
Manufacturing and commerce	661	218	443
Mining	248	160	88
Transport and communication	91	43	48
Other	938	390	548
Total NPLs	16 281	10 706	5 575
NPLs by category			
Overdrafts and cash management accounts	1 114	346	768
Term loans	669	369	300
Card loans	391	113	278
Instalment sales and hire purchase agreements	3 617	2 248	1 369
Lease payments receivable	225	124	101
Property finance	6 507	5 037	1 470
– Home loans	5 946	4 725	1 221
– Commercial property finance	561	312	249
Personal loans	1 508	518	990
Investment bank term loans	1 635	1 635	–
Long-term loans to group associates and joint ventures	154	30	124
Other	461	286	175
Total NPLs	16 281	10 706	5 575

12 IMPAIRMENT OF ADVANCES continued

	2014		
R million	**Total value net of interest in suspense**	**Security held and expected recoveries**	**Specific impairment**
NPLs by class			
FNB retail	8 127	5 412	2 715
FNB commercial	1 259	526	733
Total FNB	9 386	5 938	3 448
RMB investment banking	2 105	1 832	273
RMB corporate banking	6	–	6
Total RMB	2 111	1 832	279
WesBank	4 784	2 936	1 848
Total NPLs	16 281	10 706	5 575
NPLs by geographical area			
South Africa	15 062	10 030	5 032
Other Africa	810	506	304
United Kingdom	83	29	54
Other	326	141	185
– North America	26	–	26
– South America	161	141	20
– Australasia	78	–	78
– Asia	61	–	61
Total NPLs	16 281	10 706	5 575

13 INVESTMENT SECURITIES AND OTHER INVESTMENTS

R million	2015 Held for trading	Designated at fair value through profit or loss	Designated at fair value through profit or loss non-recourse investments
Negotiable certificates of deposit	**1 022**	**–**	**–**
Treasury bills	**169**	**21 175**	**–**
Other government and government guaranteed stock	**28 516**	**246**	**–**
Other dated securities	**5 140**	**19 622**	**16 139**
Other undated securities	**509**	**321**	**218**
Equities	**9 009**	**14 309**	**–**
Other	**113**	**–**	**–**
Total investment securities and other investments	**44 478**	**55 673**	**16 357**

R million	2014 Held for trading	Designated at fair value through profit or loss	Designated at fair value through profit or loss non-recourse investments
Negotiable certificates of deposit	–	–	–
Treasury bills	1 082	15 791	–
Other government and government guaranteed stock	21 247	2 276	–
Other dated securities	3 405	9 110	18 152
Other undated securities	66	154	218
Equities	6 520	10 131	–
Other	–	–	–
Total investment securities and other investments	32 320	37 462	18 370

R52 443 million (2014: R42 399 million) of the financial instruments form part of the group's liquid asset portfolio in terms of the SARB and other foreign banking regulators' requirements.

2015				
	Held-to-maturity	**Loans and receivables**	**Available-for-sale**	**Total**
	–	**–**	**681**	**1 703**
	464	**–**	**6 525**	**28 333**
	322	**–**	**32 309**	**61 393**
	–	**192**	**7 550**	**48 643**
	–	**–**	**54**	**1 102**
	–	**–**	**540**	**23 858**
	–	**1**	**25**	**139**
	786	**193**	**47 684**	**165 171**

2014				
	Held-to-maturity	**Loans and receivables**	**Available-for-sale**	**Total**
	–	76	749	825
	236	–	5 859	22 968
	254	–	22 106	45 883
	–	505	78	31 250
	–	–	16	454
	–	–	1 072	17 723
	–	1	3	4
	490	582	29 883	119 107

13 INVESTMENT SECURITIES AND OTHER INVESTMENTS continued

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

Certain investments held by the group include investment grade commercial paper that is issued by asset backed conduits held by the group. The group is deemed to control these conduits and consolidates them as structured entities under IFRS 10 (refer to note 44).

Fair value income includes adjustments relating to these non-recourse vehicles. The fair value changes on both the non-recourse investments and the commercial paper issued are included in fair value gains or losses in non-interest revenue.

Where a group entity owns the commercial paper issued by the conduit the fair value adjustments related to this portion of the commercial paper are excluded from the net fair value adjustment recognised in fair value gains or losses in non-interest revenue.

The group has entered into the following conduit transactions:

1. iNdwa Investment Limited, an asset backed conduit that provides South African institutional investors with short dated investment grade commercial paper.
2. iNkotha Investment Limited, a fixed income fund that provides South African institutional investors with callable investment grade commercial paper.
3. iVuzi Investment Limited, an asset backed conduit that provides South African institutional investors with short dated investment grade commercial paper.
4. iNguza Investments Limited, a secured debenture programme that provides South African institutional investors with debentures linked to specific underlying credit exposures.

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

13 INVESTMENT SECURITIES AND OTHER INVESTMENTS continued

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

Total fair value adjustments on non-recourse investments, including the adjustments linked to above conduits, are as follows.

R million	2015	2014
Investment grade commercial paper	**16 357**	18 370
Total non-recourse investments	**16 357**	18 370
Analysis of investment securities and other investments		
Listed	**82 901**	66 706
– Equities	**10 680**	8 621
– Debt	**72 221**	58 085
Unlisted	**82 270**	52 401
– Equities	**13 178**	9 102
– Debt	**69 092**	43 299
Total	**165 171**	119 107

Information regarding other investments is kept at the group's registered offices. This information is open for inspection in terms of the provisions of Section 26 of the Companies Act 71 of 2008.

14 INVESTMENTS IN ASSOCIATES

R million	Notes	2015	2014
Investments in associates			
Listed investments		**94**	87
Unlisted investments		**5 687**	5 760
Carrying value of investments in associates		**5 781**	5 847
Movement in the carrying value of associates			
Balance at the beginning of the reporting period		**5 847**	4 486
Share of profit of associates after tax	2	**1 085**	670
– Income before tax for the year		**1 404**	1 300
– Reversal of impairments/(impairments) of associates	3.1	**86**	(263)
– Tax for the year		**(405)**	(367)
Net movement resulting from acquisitions, disposals and transfers	14.1	**(483)**	897
Movement in other reserves		**(140)**	108
Exchange rate differences		**(91)**	116
Dividends received for the year		**(437)**	(430)
Balance at the end of the reporting period		**5 781**	5 847
Analysis of the carrying value of associates			
Shares at cost less impairment		**3 834**	4 049
Share of post-acquisition reserves		**1 947**	1 798
Total investments in associates		**5 781**	5 847

14 INVESTMENTS IN ASSOCIATES continued

The group has invested in the following significant associates.

	Nature of the relationship	Place of business	% Ownership	% Voting rights
Toyota Financial Services Proprietary Limited	Vehicle finance	South Africa	33	33
Bankserv	Clearing house	South Africa	23	23
SBV	Provision of cash in transit services	South Africa	25	25
Home Choice Holdings Limited	Direct marketing and financial services	South Africa	–	–
Primedia Holdings Proprietary Limited	Broadcasting	South Africa	22	22
Volkswagen Financial Services SA Proprietary Limited	Vehicle finance	South Africa	49	49
RMB private equity associates and other	Various	Various	Various	Various

14 INVESTMENTS IN ASSOCIATES continued

Financial information of significant associates as at year end

	Toyota Financial Services Proprietary Limited		Bankserv		SBV	
R million	**2015**	**2014**	**2015**	**2014**	**2015**	**2014**
Amounts recognised in profit or loss and other comprehensive income of the investee						
Dividends received	**35**	45	**14**	–	**–**	–
Revenue	**3 134**	2 742	**617**	568	**1 961**	1 782
Profit or loss from continuing operations after tax	**420**	385	**32**	25	**30**	67
Total comprehensive income	**420**	385	**32**	25	**30**	67
Amounts recognised in the statement of financial position of the investee						
Total assets	**28 277**	26 623	**653**	741	**1 254**	1 065
Total liabilities	**(25 820)**	(24 524)	**(116)**	(180)	**(841)**	(653)
Net asset value	**2 457**	2 099	**537**	561	**413**	412
Group's share of net asset value	**819**	700	**124**	129	**103**	103
Notional goodwill	**22**	32	**–**	1	**10**	3
Carrying value of investments	**841**	732	**124**	130	**113**	106

Home Choice Holdings Limited		Primedia Holdings Proprietary Limited		Volkswagen Financial Services SA Proprietary Limited	
2015	**2014**	**2015**	**2014**	**2015**	**2014**
–	10	**–**	–	**–**	–
–	1 664	**3 685**	8 464	**482**	47
–	309	**300**	4 360	**59**	(161)
–	309	**300**	4 360	**59**	(161)
–	1 768	**8 033**	7 948	**14 147**	6 383
–	(482)	**(5 008)**	(5 061)	**(12 965)**	(5 484)
–	1 286	**3 025**	2 887	**1 182**	899
–	116	**666**	636	**579**	440
–	(2)	**(29)**	(79)	**3**	2
–	114	**637**	557	**582**	442

14 INVESTMENTS IN ASSOCIATES continued

Financial information of individually immaterial associates

	RMB private equity associates		Other individually immaterial associates	
R million	**2015**	**2014**	**2015**	**2014**
Carrying amount	**2 369**	2 661	**1 115**	1 105
Group's share of profit or loss after tax from continuing operations	**639**	449	**168**	193
Group's share of other comprehensive (loss)/income	**(145)**	159	**5**	(33)
Group's share of total comprehensive income	**494**	608	**173**	160

During the current year gains of R2 million were not recognised. This was as a result of losses not being recognised historically because the balance of the investment was Rnil. The cumulative share of losses from associates not recognised is R10 million (2014: R12 million).

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

14 INVESTMENTS IN ASSOCIATES continued

14.1 Net movement resulting from acquisitions, disposals and transfers

R million	Notes	2015	2014
Acquisition of associates	14.2	**141**	1 350
Disposal of associates	14.3	**(479)**	(406)
Disposal of subsidiaries		**(9)**	(15)
Transfer to non-current assets and disposal groups held for sale	22	**(136)**	(32)
Net movement		**(483)**	897

14 INVESTMENTS IN ASSOCIATES continued

14.2 Acquisitions of associates

	2015			
	Total	**Volkswagen Financial Services SA Proprietary Limited**	**RMB private equity associates**	**Other insignificant acquisitions**
Acquisition date		**–**	**Various**	**Various**
Interest acquired (%)		**–**	**Various**	**Various**
Total consideration transferred (R million)	**141**	**123**	**18**	**–**
– Discharged by cash	**141**	**123**	**18**	**–**
– Non-cash consideration and other purchase price adjustments	**–**	**–**	**–**	**–**

Volkswagen Financial Services SA Proprietary Limited

During the current year the group provided additional funding of R123 million to Volkswagen Financial Services SA Proprietary Limited. This did not result in a change in the shareholding. During the prior year the group acquired a 49% interest in Volkswagen Financial Services Proprietary Limited for a consideration of R490 million.

Primedia Holdings Proprietary Limited

During the prior year the group acquired a 22% interest in the ordinary shares of Primedia Holdings Proprietary Limited for a consideration of R664 million. This acquisition was made as part of the capital restructure of the Primedia group, under which the group exchanged preference share debt funding provided to the Primedia group for an equity investment in Primedia Holdings Proprietary Limited. As part of the restructure, the investment in the Primedia group was impaired in line with the carrying value of the original debt. There is no active market for these shares and the consideration paid for the investment was in contemplation of a debt restructure by the Primedia group and was therefore not reflective of a fair market price for the shares.

RMB private equity associates

During the current and prior year the group acquired various RMB private equity associates, none of which are individually material.

2014					
	Total	Primedia Holdings Proprietary Limited	Volkswagen Financial Services SA Proprietary Limited	RMB private equity associates	Other insignificant acquisitions
		20/12/2013	4/11/2013	Various	Various
		22	49	Various	Various
	1 350	664	490	175	21
	1 566	945	490	110	21
	(216)	(281)	–	65	–

14 INVESTMENTS IN ASSOCIATES continued

14.3 Disposals of associates

	2015			
	Total	HomeChoice Holdings Limited	RMB private equity associates	Other insignificant disposals
Disposal date		30/11/2014	Various	Various
Interest disposed of (%)		9	Various	Various
Total consideration received (R million)	1 326	294	1 032	–
– Discharged by cash	1 326	294	1 032	–
– Non-cash consideration	–	–	–	–
Carrying value of the associate on disposal date	479	125	343	11
Gains/(loss) on disposal of associates	**847**	**169**	**689**	**(11)**

HomeChoice Holdings Limited

During the current year, the group disposed of HomeChoice Holdings Limited and realised a profit of R169 million.

RMB private equity associates

During the current and prior year, the group disposed of various RMB private equity associates. In the current year the majority of the gains realised relates to two transactions in which profits of R479 million and R102 million respectively were made. The remaining balance is made up of various individually insignificant transactions. In the prior year this included the disposal of two entities. The one entity was disposed of in a sales transaction and realised a profit of R12 million. The other entity was disposed of through a share buy-back executed by the entity and realised a profit of R825 million. Various other disposals make up the remaining R11 million profit on disposals of private equity associates.

2014		
Total	**RMB private equity associates**	**Other insignificant disposals**
	Various	Various
	Various	Various
1 263	1 194	69
1 210	1 194	16
53	–	53
406	346	60
857	848	9

15 INVESTMENTS IN JOINT VENTURES

R million	Notes	2015	2014
Investments in joint ventures			
Unlisted investments		**1 282**	1 205
Carrying value of investments in joint ventures		**1 282**	1 205
Movement in the carrying value of joint ventures			
Balance at the beginning of the reporting period		**1 205**	910
Share of profit of joint ventures after tax	2	**454**	257
– Income before tax for the year		**504**	466
– Reversal of impairments/(impairments) of joint ventures	3.1	**27**	(136)
– Tax for the year		**(77)**	(73)
Net movement resulting from acquisitions, disposals and transfers	15.1	**15**	248
Movement in other reserves		**(89)**	31
Dividends received for the year		**(303)**	(241)
Balance at the end of the reporting period		**1 282**	1 205
Analysis of carrying value of joint ventures			
Shares at cost less impairment		**234**	191
Share of post-acquisition reserves		**1 048**	1 014
Total investments in joint ventures		**1 282**	1 205

The group has invested in the following significant joint ventures.

	Nature of the relationship	Place of business	% ownership	% voting rights
RMB Morgan Stanley Proprietary Limited	Equity sales, trading and research	**Various**	**50**	**50**
RMB Westport	Property services	**Various**	**Various**	**Various**
RMB private equity joint ventures	Private equity	**Various**	**Various**	**Various**

15 INVESTMENTS IN JOINT VENTURES continued

Financial information of significant joint ventures

	RMB Morgan Stanley		Eris Property Fund	
R million	**2015**	**2014**	**2015**	**2014**
Dividends received	**63**	75	**–**	–
Revenue	**595**	449	**78**	49
Profit or loss from continuing operations after tax	**196**	81	**28**	(28)
Total comprehensive income	**196**	81	**28**	(28)
Total assets	**15 629**	7 104	**666**	580
Total liabilities	**(14 872)**	(6 423)	**(609)**	(585)
Net asset value	**757**	681	**57**	(5)
Group's share of net asset value	**379**	341	**–**	–
Notional goodwill	**31**	(6)	**14**	–
Carrying value of investment	**410**	335	**14**	–

Included in the above joint ventures' total assets, liabilities and comprehensive income are the following amounts.

R million	**2015**	**2014**
Cash and cash equivalents	**945**	4 455
Short-term portion of financial liabilities	**(5 354)**	(5 141)
Long-term portion of financial liabilities	**(548)**	(569)
Interest expense	**(38)**	(55)
Income tax	**(78)**	(64)

15 INVESTMENTS IN JOINT VENTURES continued

Financial information of individually immaterial joint ventures

	RMB Westport		RMB private equity joint ventures		Other	
R million	**2015**	**2014**	**2015**	**2014**	**2015**	**2014**
Carrying amount	**21**	13	**582**	680	**255**	177
Group's share of profit or loss after tax from continuing operations	**6**	6	**233**	133	**63**	37
Group's share of other comprehensive (loss)/income	**–**	–	**(90)**	30	**–**	1
Group's share of total comprehensive income	**6**	6	**143**	163	**63**	38

During the current year losses of R7 million (2014: R5 million) were not recognised as the balance of the investment in the joint venture was Rnil. The cumulative share of losses from joint ventures not recognised is R7 million (2014: R5 million).

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

The group has not committed to provide future funding to joint ventures.

15.1 Net movement resulting from acquisitions, disposals and transfers

R million	**Notes**	**2015**	**2014**
Acquisitions of joint ventures	15.2	**16**	272
Disposals of joint ventures	15.3	**(1)**	–
Disposals of subsidiaries		**–**	(24)
Net movement		**15**	248

15.2 Acquisitions of joint ventures

	2015		2014		
	Total	**RMB private equity joint ventures**	**Total**	**RMB private equity joint ventures**	**Other insignificant acquisitions**
Acquisition date		**Various**		Various	Various
Interest acquired (%)		**Various**		Various	Various
Total consideration transferred (R million)	**16**	**16**	272	266	6
– Discharged by cash	**16**	**16**	272	266	6
– Non-cash consideration	**–**	**–**	–	–	–

RMB private equity joint ventures

During the current and prior year the group acquired various RMB private equity joint ventures.

15 INVESTMENTS IN JOINT VENTURES continued

15.3 Disposals of joint ventures

	2015		2014
	Total	**RMB private equity joint ventures**	**Total***
Disposal date		**02/06/2015**	
Interest disposed of (%)		**42**	
Total consideration received (R million)	**–**	**–**	–
– Discharged by cash	**–**	**–**	–
Carrying value of the joint venture on disposal date	**1**	**1**	–
Loss on disposal of joint ventures	**(1)**	**(1)**	–

** There were no disposals of joint ventures during the prior year.*

RMB private equity joint ventures

During the current year, the group disposed of a RMB private equity joint venture.

16 PROPERTY AND EQUIPMENT

The useful life of each asset is assessed individually. The table below provides information on the benchmarks used when assessing the useful life of the individual assets.

Leasehold premises	Shorter of estimated life or period of lease
Freehold property and property held under finance lease	
– Buildings and structures	50 years
– Mechanical and electrical	20 years
– Components	20 years
– Sundries	3 – 5 years
Computer equipment	3 – 5 years
Furniture and fittings	3 – 10 years
Motor vehicles	5 years
Office equipment	3 – 6 years

16 PROPERTY AND EQUIPMENT continued

R million	2015 Cost	2015 Accumulated depreciation and impairments	2015 Carrying amount	2014 Cost	2014 Accumulated depreciation and impairments	2014 Carrying amount
Property*	**13 300**	**(3 776)**	**9 524**	12 064	(3 363)	8 701
Freehold property	**9 157**	**(2 177)**	**6 980**	8 216	(2 018)	6 198
Leasehold premises	**4 143**	**(1 599)**	**2 544**	3 848	(1 345)	2 503
Assets held under leasing agreements**	**1 011**	**(377)**	**634**	925	(298)	627
Equipment*	**12 748**	**(6 618)**	**6 130**	11 036	(5 869)	5 167
Computer equipment	**6 622**	**(3 801)**	**2 821**	5 524	(3 382)	2 142
Furniture and fittings	**2 215**	**(1 142)**	**1 073**	2 013	(1 068)	945
Motor vehicles	**2 390**	**(766)**	**1 624**	2 221	(629)	1 592
Office equipment	**1 504**	**(897)**	**607**	1 261	(782)	479
Capitalised leased assets	**17**	**(12)**	**5**	17	(8)	9
Total property and equipment	**27 059**	**(10 771)**	**16 288**	24 025	(9 530)	14 495

* *Assets utilised by the group in the normal course of operations to provide services.*

** *Assets which are owned by the group and leased to third parties under operating leases as part of the group's revenue generating operations.*

16 PROPERTY AND EQUIPMENT continued

R million	Notes	Freehold property	Leasehold premises
Carrying amount at 1 July 2013		5 955	2 309
Acquisitions		827	501
Disposals		(48)	(41)
Disposals of subsidiaries		(20)	–
Exchange rate difference		48	–
Depreciation charge for the period		(320)	(265)
Impairments recognised	3.1	(137)	(1)
Transfer to non-current assets and disposal groups held for sale		(107)	–
Other		–	–
Carrying amount at 30 June 2014		**6 198**	**2 503**
Acquisitions		**1 052**	**367**
Disposals		**(44)**	**(21)**
Disposals of subsidiaries		**(46)**	**–**
Exchange rate difference		**33**	**(2)**
Depreciation charge for the period		**(212)**	**(300)**
Impairments recognised	3.1	**–**	**–**
Impairments reversed	3.1	**–**	**–**
Transfer from non-current assets and disposal groups held for sale		**–**	**–**
Other		**(1)**	**(3)**
Carrying amount at 30 June 2015		**6 980**	**2 544**

Information regarding land and buildings is kept at the group's registered offices. This information will be open for inspection in terms of section 26 of the Companies Act 71 of 2008.

Property occupied for banking operations serves as security for finance lease liabilities. Refer to note 27 for liabilities that are related to finance lease assets.

Assets held under leasing agreements	Computer equipment	Furniture and fittings	Motor vehicles	Office equipment	Capitalised leased assets	Total
596	1 724	880	1 549	426	14	13 453
65	1 202	301	919	196	–	4 011
(5)	(98)	(14)	(519)	(4)	–	(729)
–	–	–	–	–	–	(20)
24	5	–	–	(1)	–	76
(53)	(691)	(217)	(353)	(138)	(5)	(2 042)
–	–	–	(3)	–	–	(141)
–	–	(5)	(1)	–	–	(113)
–	–	–	–	–	–	–
627	**2 142**	**945**	**1 592**	**479**	**9**	**14 495**
17	**1 473**	**324**	**808**	**315**	**–**	**4 356**
(4)	**(4)**	**(9)**	**(398)**	**(1)**	**–**	**(481)**
–	**(1)**	**(25)**	**(1)**	**(1)**	**–**	**(74)**
50	**–**	**(2)**	**(1)**	**(4)**	**–**	**74**
(56)	**(805)**	**(161)**	**(380)**	**(175)**	**(4)**	**(2 093)**
–	**–**	**–**	**–**	**–**	**–**	**–**
–	**–**	**–**	**3**	**–**	**–**	**3**
–	**–**	**–**	**–**	**–**	**–**	**–**
–	**16**	**1**	**1**	**(6)**	**–**	**8**
634	**2 821**	**1 073**	**1 624**	**607**	**5**	**16 288**

17 INTANGIBLE ASSETS

The useful life of each intangible asset is assessed individually. The table below provides information on the benchmarks used when assessing the useful lives of the individual intangible assets.

Software and development costs	3 years
Trademarks	10 to 20 years
Other	3 to 10 years other than a service concession arrangement, that has a contractual term of 37 years

		2015			2014		
R million	**Notes**	**Cost**	**Accumulated amortisation and impairments**	**Carrying amount**	**Cost**	**Accumulated amortisation and impairments**	**Carrying amount**
Goodwill							
Opening balance		**1 498**	**(838)**	**660**	1 483	(709)	774
(Disposals)/acquisitions of subsidiaries		**(19)**	**–**	**(19)**	15	–	15
Transfer to non-current assets and disposal groups held for sale		**–**	**–**	**–**	(8)	–	(8)
Exchange rate differences		**(13)**	**–**	**(13)**	8	(1)	7
Impairment recognised	3.1	**–**	**–**	**–**	–	(128)	(128)
Closing balance		**1 466**	**(838)**	**628**	1 498	(838)	660
Software and development costs							
Opening balance		**1 260**	**(992)**	**268**	1 170	(918)	252
Acquisitions		**160**	**–**	**160**	105	–	105
Disposals		**(5)**	**–**	**(5)**	(19)	12	(7)
Disposals of subsidiaries		**(1)**	**–**	**(1)**	–	–	–
Exchange rate differences		**2**	**–**	**2**	4	(2)	2
Amortisation for the year		**–**	**(93)**	**(93)**	–	(83)	(83)
Impairment recognised	3.1	**–**	**(2)**	**(2)**	–	(1)	(1)
Other		**(11)**	**11**	**–**	–	–	–
Closing balance		**1 405**	**(1 076)**	**329**	1 260	(992)	268

17 INTANGIBLE ASSETS continued

		2015			2014		
R million	**Notes**	**Cost**	**Accumulated amortisation and impairments**	**Carrying amount**	**Cost**	**Accumulated amortisation and impairments**	**Carrying amount**
Trademarks							
Opening balance		**216**	**(200)**	**16**	213	(194)	19
Acquisitions		**1**	**–**	**1**	–	–	–
Acquisitions/(disposals)							
Transfer to non-current assets and disposal groups held for sale		**–**	**–**	**–**	(8)	8	–
Exchange rate differences		**4**	**(4)**	**–**	11	(11)	–
Amortisation for the year		**–**	**(2)**	**(2)**	–	(3)	(3)
Closing balance		**221**	**(206)**	**15**	216	(200)	16
Other							
Opening balance		**230**	**(127)**	**103**	226	(102)	124
Acquisitions/(disposals)							
Exchange rate differences		**2**	**(2)**	**–**	4	(6)	(2)
Amortisation for the year		**–**	**(7)**	**(7)**	–	(9)	(9)
Impairment recognised	3.1	**–**	**–**	**–**	–	(10)	(10)
Closing balance		**232**	**(136)**	**96**	230	(127)	103
Total intangible assets							
Goodwill		**1 466**	**(838)**	**628**	1 498	(838)	660
Software and development costs		**1 405**	**(1 076)**	**329**	1 260	(992)	268
Trademarks		**221**	**(206)**	**15**	216	(200)	16
Other		**232**	**(136)**	**96**	230	(127)	103
Total intangible assets		**3 324**	**(2 256)**	**1 068**	3 204	(2 157)	1 047

Included in other intangible assets are assets that the group, through RMB, has legal ownership of in terms of a service concession arrangement. In terms of the service concession agreement the group is entitled to charge the user of the asset for usage, the pricing of which has been established in terms of the concession agreement. The group has the obligation to maintain the asset in a workable condition and will deliver ownership of the asset to the government at the conclusion of the concession period.

The carrying amount of the intangible asset relating to the service concession arrangement has been estimated taking into account usage levels and the pricing under the arrangement.

17 INTANGIBLE ASSETS continued

Impairment of goodwill

For impairment testing purposes, goodwill is allocated to cash-generating units (CGU) at the lowest level of operating activity to which it relates, and is therefore not combined at group level.

The CGU to which the goodwill balance as at 30 June relates to is reflected below.

R million	2015	2014
FNB Botswana	**33**	33
FNB Mozambique	**137**	147
RMB Corvest	**146**	169
RMB other	**117**	117
WesBank	**61**	61
Other	**134**	133
Total	**628**	660

When testing for impairment, the recoverable amount of a CGU is determined as the higher of the fair value less costs to sell and value in use. The fair value less costs to sell is determined as the current market value of the CGU less any costs related to the realisation of the CGU. The value in use is calculated by discounting the estimated future cash flows to its present value using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the CGU. Future cash flows are based on financial budgets approved by management covering a one year period. Cash flows beyond one year are extrapolated using the estimated growth rate for the CGU. The growth rate does not exceed the long-term average past growth rate for the business in which the CGU operates.

The table below shows the discount rate and the growth rate used in calculating the value in use for the CGUs.

	Discount rates**		Growth rates	
%	2015	2014	2015	2014
FNB Botswana	**12.00**	14.00	**3.00**	3.00
FNB Mozambique	**17.75**	19.10	**8.50**	8.10
RMB Corvest	**20.05**	18.75	**6.02**	5.97
RMB other*	**–**	–	******	**
WesBank	**18.68**	18.50	**3.00**	3.00
Other	**7.52**	7.80	**7.00**	7.39

* *RMB other determines the recoverable amount as the fair value less costs to sell and not the value in use due to the nature of the entity.*

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

The recoverable amounts of these CGUs are not sensitive to changes in the key assumptions and a reasonably possible change in the key assumptions would not result in additional impairment losses being recognised for goodwill.

17 INTANGIBLE ASSETS continued

During the current year there was no impairment of goodwill. The impairment of goodwill in the prior year relates to the following investments in subsidiaries.

R million	2014	Reporting segment	Basis for recoverable amount	Discount rate %
First Auto Proprietary Limited	104	WesBank	Value in use	15.0
Various private equity subsidiaries	24	RMB	Fair value less costs to sell	–
Goodwill impairment incurred	128			

18 POLICYHOLDER LIABILITIES AND REINSURANCE ASSETS

R million	Notes	2015	2014
Policyholder liabilities under insurance contracts and reinsurance assets	18.1	**154**	132
Total policyholder liabilities		**154**	132

18.1 Policyholder liabilities under insurance contracts and reinsurance assets

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

	2014		
R million	Gross	Reinsurance asset	Net
Short-term insurance contracts			
Claims outstanding and claims incurred but not reported	504	(408)	96
Unearned premiums	36	–	36
Total policyholder liabilities under insurance contracts and reinsurance assets	540	(408)	132

18.1.1 Reconciliation of outstanding claims and claims incurred but not reported

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

18 POLICYHOLDER LIABILITIES AND REINSURANCE ASSETS continued

18.1.1 Reconciliation of outstanding claims and claims incurred but not reported continued

	2014		
R million	**Gross**	**Reinsurance asset**	**Net**
Opening balance	615	(394)	221
Increase in current year claims outstanding	8	(45)	(37)
Decrease from prior year claims outstanding	(43)	27	(16)
Claims settled in the year	(76)	4	(72)
Closing balance	504	(408)	96

18.1.2 Reconciliation of unearned premiums

	2015		
R million	**Gross**	**Reinsurance asset**	**Net**
Opening balance	**36**	**–**	**36**
Net movement during the year	**4**	**–**	**4**
Closing balance	**40**	**–**	**40**

	2014		
R million	**Gross**	**Reinsurance asset**	**Net**
Opening balance	31	–	31
Net movement during the year	5	–	5
Closing balance	36	–	36

18.1.3 Risk management relating to insurance contracts

The group underwrites short-term policies through its subsidiary, FirstRand Insurance Services Company Limited.

TERMS AND CONDITIONS OF INSURANCE CONTRACTS

The terms and conditions of insurance contracts have a material effect on the amount, timing and uncertainty of future cash flows. The key risks associated with general insurance contracts are claims experience. The provisions of these contracts are refined at least annually. As claims experience develops, certain claims are settled, further claims are revised and new claims are reported. The reasonableness of the estimation process is tested by management and reviewed on a regular basis. The group believes that the liability for claims carried at the end of the year is adequate.

The group underwrites short-term insurance in the following risk classes:

Liability: Provides cover for risks relating to the incurring of a liability other than relating to a risk covered more specifically under another insurance contract.

Motor: Provides indemnity cover relating to the possession, use or ownership of a motor vehicle. The cover includes comprehensive cover, fire and theft and liability to other parties.

Personal accident: Provides compensation arising out of the death or disability directly caused by an accident occurring anywhere in the world, provided that death or disability occurs within 12 months of this injury.

Property: Provides indemnity relating to movable and immovable property caused by perils such as fire, explosion, earthquakes, acts of nature, burst geysers and pipes, malicious damage, impact, alterations and additions.

18 POLICYHOLDER LIABILITIES AND REINSURANCE ASSETS continued

18.1.3 Risk management relating to insurance contracts continued

RISK MANAGEMENT OBJECTIVES AND POLICIES FOR MITIGATING INSURANCE RISK

The principal risk the group faces under such contracts is that the actual claims and expenses exceed the carrying amount of insurance liabilities. Insurance risk occurs due to the uncertainty of the timing and amount of future cash flows arising under insurance contracts. This is influenced by the frequency and severity of claims, especially if actual benefits paid are greater than originally estimated and the subsequent development of long-term claims.

The group manages its insurance risk through underwriting limits, approval procedures for transactions that involve new products or that exceed set limits, pricing guidelines and monitoring of emerging issues.

The group cedes insurance risk to limit exposure to underwriting losses under various reinsurance agreements. These reinsurance agreements spread the risk of loss and minimise the effect of losses. The risk retention levels depend on evaluation of specific risk, subject, in certain circumstances, to maximum limits based on the characteristics of coverage.

The group is not exposed to any significant concentrations of insurance risk due to the nature of the policies underwritten by the group. In addition, the group has adequate reinsurance in place to reduce the risk arising from insurance contracts to acceptable levels.

19 EMPLOYEE LIABILITIES AND RELATED ASSETS

R million	Notes	2015	2014
Staff related provisions	19.1	**5 576**	5 414
Share-based payment liability		**3 208**	1 332
Defined benefit post-employment liability	19.2	**944**	694
Other long-term employee benefit liability		**6**	1
Defined contribution post-employment liability	19.3	**–**	–
Total employee liabilities		**9 734**	7 441
Post-employment benefit asset	19.2	**(4)**	(5)
Net amount due to employees		**9 730**	7 436

19.1 Staff related provision

The staff related provisions consists mainly of the provision for leave pay, staff bonuses and the liability relating to the MMI shares that the participants in the BEE schemes received on 31 December 2014 as a result of the unbundling of Momentum. Further details of this scheme and the vesting conditions related to the scheme are provided in note 31.

R million	2015	2014
Opening balance	**5 414**	4 410
Disposals of subsidiaries	**(3)**	–
Exchange rate difference	**8**	36
Charge to profit or loss	**3 890**	3 839
– Additional provision created	**3 892**	3 867
– Unused provision reversed	**(2)**	(28)
Utilised	**(3 733)**	(2 871)
Closing balance	**5 576**	5 414

19 EMPLOYEE LIABILITIES AND RELATED ASSETS continued

19.2 Defined benefit post-employment liability

Nature of benefits

The group operates two defined benefit plans in South Africa; a plan that provides post-employment medical benefits and a pension plan. The pension plan provides retired employees with annuity income after their service. The medical scheme provides retired employees with medical benefits after their service. In terms of these plans, the group is liable to the employees for specific payments on retirement and for any deficit in the provision of these benefits from the plan assets. The liabilities and assets of these pension plans are reflected as a net asset or liability in the statement of financial position. For the pension plan a separate fund (the fund) has been established. The fund holds assets that are used solely to pay the pension benefits. For current pensioners the fund pays a pension to the members and dependants' pension to the spouse and eligible children on death of the member.

On retirement of current defined contribution active members, the fund provides a pension that can be purchased with the member's share. The pension so purchased is determined based on the purchasing member's demographic details (age, sex, age of spouse), the pension structure (guarantee period, spouse's reversion, pension increase target) and the economic assumptions at time of purchase (inflation linked bond yields available). There are also a small number of active members whose benefits are calculated on a defined benefit basis as prescribed in the rules of the fund. A benefit on withdrawal and retrenchment are determined in terms of the prevailing legislation and is equivalent to the value of the actuarial reserve held in the fund. The liability in respect of contributing defined contribution members is equal to the member's share of the fund, which is determined as the accumulation of the member's contributions and employer's contributions (net of deduction for fund expenses and cost of death benefits) as well as any amounts transferred into the fund by the member, increased with the net investment returns earned (positive or negative) on the member's assets.

In terms of the medical scheme, the group is liable for any deficit in the provision of the benefits from the plan assets. In terms of the small number of defined benefit contributing members in the pension plan, the group is liable for any deficit in the value of accrued benefits exceeding the assets in the fund earmarked for these liabilities. In terms of the existing pensioners in the pension plan, the trustees are responsible for setting the pension increase policy and granting of pension increases subject to the assets of the fund supporting such increases. Should the pension account in the fund be in a deficit to the extent that current pensions in payment cannot be maintained, the group is liable to maintain the nominal value of pensions in payment.

The fund also provides death and withdrawal benefits. The fund provides a pension that can be purchased with the member's fund credit (equal to member and employer contributions of 7.5% of pensionable salary each year, plus net investment returns). The employer's post-employment health care liability consists of a commitment to pay a portion of the members' post-employment medical scheme contributions. This liability is also generated in respect of dependants who are offered continued membership of the medical scheme on the death of the primary member. Members employed on or after 1 December 1998 do not qualify for a post-employment medical subsidy.

The group has two foreign subsidiaries that operate defined benefit plans for its employees. The details of these funds are disclosed in the annual financial statements of these subsidiaries and the liabilities recognised for these obligations are not material to the group.

Regulatory framework

The plans are governed by local regulations and practice in South Africa. The pension plan is regulated by the Financial Services Board and the medical plan by the Registrar of Council for Medical Schemes.

19 EMPLOYEE LIABILITIES AND RELATED ASSETS continued

19.2 Defined benefit post-employment liability continued

Governance of the plans

Responsibility for governance of the plans including investment decisions and contribution schedules lies jointly with the group and the board of trustees. The board of trustees must be composed of representatives of the group and plan participants in accordance with the plans' regulations. The board consists of four representatives of the group and four representatives of the plan participants in accordance with the plans' regulations. The trustees serve the board for five years and may be re-elected. An external auditor performs an audit of the fund on an annual basis and such annual financial statements are submitted to the Regulator of Pension Funds (i.e. to the Financial Services Board). A full actuarial valuation of the pension fund submission to the Financial Services Board is performed every three years, with the last valuation in 2014. Annual interim actuarial valuations are performed for the trustees for IAS 19 purposes. At the last valuation date the fund was financially sound.

Governance of the post-employment medical aid subsidy policy lies with the group and the group has established a committee that meets regularly to discuss and review the management and the subsidy. The committee also considers administration and data management issues and analyses demographic and economic risks inherent in the subsidy policy.

Funding policy

Funding levels are monitored on an annual basis and the current agreed contribution rate in respect of the defined benefit pension fund is 21% of pensionable salaries (in excess of the minimum recommended contribution rate set by the fund actuary). The group considers the recommended contribution rate as advised by the fund actuary with each actuarial valuation.

In addition, the trustees of the fund target a funding position on the pensioner liabilities that exceeds the value of the best estimate actuarial liability. The funding position is also considered in relation to a solvency reserve basis, which makes allowance for the discontinuance cost of outsourcing the pensions.

As at the last statutory actuarial valuation of the fund (during June 2014), all categories of liabilities were at least 100% funded.

Asset-liability matching strategies

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

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

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

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

19 EMPLOYEE LIABILITIES AND RELATED ASSETS continued

19.2 Defined benefit post-employment liability continued

Risks associated with the plans

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

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

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

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

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

The financial implications to the group in the event of deficit of the pension plan have been discussed in the nature of benefits section.

19 EMPLOYEE LIABILITIES AND RELATED ASSETS continued

19.2 Defined benefit post-employment liability continued

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

		2015			2014		
R million	**Notes**	**Pension**	**Medical**	**Total**	**Pension**	**Medical**	**Total**
Post-employment benefit fund liability							
Present value of funded obligation		**9 853**	**3 204**	**13 057**	9 728	3 060	12 788
Fair value of plan assets		**(10 027)**	**(2 286)**	**(12 313)**	(10 073)	(2 382)	(12 455)
Total employee (asset)/liability		**(174)**	**918**	**744**	(345)	678	333
Limitation imposed by IAS19 asset ceiling		**196**	**–**	**196**	356	–	356
Total post-employment liability		**22**	**918**	**940**	11	678	689
The amounts recognised in the income statement are:							
Current service cost		**12**	**50**	**62**	33	43	76
Net interest		**(30)**	**98**	**68**	10	31	41
Gain on settlement		**3**	**–**	**3**	–	–	–
Total included in staff costs	3	**(15)**	**148**	**133**	43	74	117
Movement in post-employment benefit fund liability							
Present value at the beginning of the year		**11**	**678**	**689**	98	344	442
Exchange differences		**6**	**(2)**	**4**	(8)	–	(8)
Current service cost		**12**	**50**	**62**	33	43	76
Net interest		**(30)**	**98**	**68**	10	31	41
Benefits paid		**(9)**	**(1)**	**(10)**	(9)	(2)	(11)
Remeasurements: recognised in OCI		**46**	**95**	**141**	(105)	262	157
– Actuarial losses from changes in demographic assumptions		**(122)**	**–**	**(122)**	8	–	8
– Actuarial losses from changes in financial assumptions		**(25)**	**(23)**	**(48)**	191	79	270
– Other remeasurements		**193**	**118**	**311**	(304)	183	(121)
Employer contribution		**(2)**	**–**	**(2)**	(2)	–	(2)
Employee contribution		**(5)**	**–**	**(5)**	(1)	–	(1)
Settlement or curtailment of liability		**(7)**	**–**	**(7)**	(5)	–	(5)
Closing balance		**22**	**918**	**940**	11	678	689

19 EMPLOYEE LIABILITIES AND RELATED ASSETS continued

19.2 Defined benefit post-employment liability continued

	2015			2014		
R million	**Pension**	**Medical**	**Total**	**Pension**	**Medical**	**Total**
Movement in the fair value of plan assets:						
Opening balance	**10 073**	**2 382**	**12 455**	9 164	2 474	11 638
Interest income	**867**	**179**	**1 046**	762	207	969
Remeasurements: recognised in OCI	**(344)**	**(142)**	**(486)**	657	(175)	482
– Return on plan assets excluding interest income	**(344)**	**(142)**	**(486)**	657	(175)	482
Exchange differences	**14**	**–**	**14**	38	–	38
Employer contributions	**15**	**–**	**15**	13	–	13
Employee contributions	**4**	**–**	**4**	3	–	3
Benefits paid and settlements	**(602)**	**(133)**	**(735)**	(564)	(124)	(688)
Closing balance	**10 027**	**2 286**	**12 313**	10 073	2 382	12 455
Reconciliation of limitation imposed by IAS 19 asset ceiling						
Opening balance	**356**	**–**	**356**	–	–	–
Interest income	**32**	**–**	**32**	–	–	–
Change in the asset ceiling, excluding amounts included in interest	**(192)**	**–**	**(192)**	356	–	356
Closing balance	**196**	**–**	**196**	356	–	356
The actual return on plan assets was:	**9%**			9%		
Plan assets comprised the following:						
Equity securities: listed	**2 311**	**–**	**2 311**	2 340	–	2 340
Equity securities: unlisted	**5**	**–**	**5**	–	–	–
Total equity securities	**2 316**	**–**	**2 316**	2 340	–	2 340
Cash and cash equivalents	**400**	**–**	**400**	347	–	347
Debt instruments	**6 813**	**–**	**6 813**	6 995	–	6 995
Government bonds	**6 010**	**–**	**6 010**	6 218	–	6 218
Money market	**331**	**–**	**331**	609	–	609
Corporate bonds	**472**	**–**	**472**	168	–	168
Derivatives	**2**	**–**	**2**	–	–	–
– Forward foreign currency contracts	**2**	**–**	**2**	–	–	–
Other	**496**	**2 286**	**2 782**	391	2 382	2 773
Total plan assets	**10 027**	**2 286**	**12 313**	10 073	2 382	12 455
Included in plan assets were the following:						
FirstRand Limited ordinary shares with fair value of	**41**	**–**	**41**	1	–	1
Total	**41**	**–**	**41**	1	–	1

19 EMPLOYEE LIABILITIES AND RELATED ASSETS continued

19.2 Defined benefit post-employment liability continued

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

	2015		2014	
%	**Pension**	**Medical**	**Pension**	**Medical**
The principal actuarial assumptions used for accounting purposes were:				
Expected rates of salary increases	**8.2**	**–**	8.3	–
Long-term increase in health cost	**–**	**8.2**	–	8.3
The effects of a 1% movement in the assumed health cost rate were:				
Increase of 1%				
Effect on the defined benefit obligation (R million)	**–**	**482.2**	–	470.6
Effect on the aggregate of the current service cost and interest cost (R million)	**–**	**55.8**	–	55.4
Decrease of 1%				
Effect on the defined benefit obligation (R million)	**–**	**393.3**	–	382.7
Effect on the aggregate of the current service cost and interest cost (R million)	**–**	**45.1**	–	44.6
The effects of a 1% movement in the expected rates of salary increases were:				
Increase of 1%				
Effect on the defined benefit obligation (R million)	**8.2**	**–**	8.9	–
Effect on the aggregate of the current service cost and interest cost (R million)	**0.5**	**–**	3.0	–
Decrease of 1%				
Effect on the defined benefit obligation (R million)	**7.5**	**–**	7.9	–
Effect on the aggregate of the current service cost and interest cost (R million)	**0.5**	**–**	1.0	–
The effects of a change in the average life expectancy of a pensioner retiring at age 65				
Increase in life expectancy by 10 years				
Effect on the defined benefit obligation (R million)	**349.2**	**114.9**	347.8	109.5
Effect on the aggregate of the current service cost and interest cost (R million)	**15.5**	**12.0**	17.0	11.7
Decrease in life expectancy by 10 years				
Effect on the defined benefit obligation (R million)	**344.6**	**113.5**	329.1	108.1
Effect on the aggregate of the current service cost and interest cost (R million)	**15.3**	**11.9**	14.4	11.5
Estimated contributions expected to be paid to the plan in the next annual period (R million)	**3**	**–**	3	–
Net increase in rate used to value pensions, allowing for pension increases	**1.8**	**1.0**	1.7	0.9
The weighted average duration of the defined benefit obligation is (years)	**11.0**	**15.9**	11.1	17.9

19 EMPLOYEE LIABILITIES AND RELATED ASSETS continued

19.2 Defined benefit post-employment liability continued

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

R million	Within 1 year	Between 1 – 5 years	More than 5 years	Total
Pension benefits	**663**	**3 053**	**7 526**	**11 242**
Post-employment medical benefits	**135**	**673**	**26 144**	**26 952**
Total as at 30 June 2015	**798**	**3 726**	**33 670**	**38 194**

	2015		2014	
Mortality rate	**Active members**	**Pensioners**	**Active members**	**Pensioners**
Pension fund				
Normal retirement age	**60**	**–**	60	–
Mortality rate table used	**PA(90)-2**	**PA(90)-2**	PA(90)-2	PA(90)-2
Post-employment medical benefits				
Normal retirement age	**60**	**–**	60	–
Mortality rate table used (rated down 3 years for females)				
Active	**SA 85-90**	**–**	SA 85-90	–
Retired	**PA (90)-2**	**PA (90)-2**	PA (90)-2	PA (90)-2

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

PA(90)-2 refers to standard actuarial mortality tables for current and prospective pensioners on a defined benefit plan where the chance of dying after early or normal retirement is expressed at each age for each gender.

	2015		2014	
Mortality rate	**Pension**	**Medical**	**Pension**	**Medical**
The average life expectancy in years of a pensioner retiring at age 65 on the reporting date is:				
Male	**17**	**17**	17	17
Female	**21**	**21**	21	21
The average life expectancy in years of a pensioner retiring at age 65, 20 years after the reporting date is:				
Male	**18**	**18**	18	18
Female	**22**	**22**	22	22

19 EMPLOYEE LIABILITIES AND RELATED ASSETS continued

19.2 Defined benefit post-employment liability continued

	2015	2014
Pension		
The number of employees covered by the scheme:		
Active members	**338**	304
Pensioners	**6 374**	6 436
Deferred plan participants	**299**	314
Total	**7 011**	7 054
Defined benefit obligation amounts due to:		
Benefits vested at the end of the reporting period (R million)	**9 745**	9 627
Benefits accrued but not vested at the end of the reporting period (R million)	**108**	101
Conditional benefits (R million)	**26**	16
Amounts attributable to future salary increases (R million)	**113**	125
Other benefits (R million)	**9 713**	9 587
Medical		
The number of employees covered by the scheme:		
Active members	**5 071**	5 518
Pensioners	**5 226**	5 173
Deferred plan participants	**–**	35
Total	**10 297**	10 726
Defined benefit obligation amounts due to:		
Benefits vested at the end of the reporting period (R million)	**2 033**	1 911
Benefits accrued but not vested at the end of the reporting period (R million)	**1 171**	1 149
Conditional benefits (R million)	**1 204**	1 179
Other benefits (R million)	**2 000**	1 881

19.3 Defined contribution post-employment liability

R million	2015	2014
Post-employment defined contribution plan		
Present value of obligation	**16 115**	14 709
Present value of assets	**(16 115)**	(14 709)
Net defined contribution liability	**–**	–

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

20 INVESTMENT PROPERTIES

R million	Notes	2015	2014
Completed properties			
Fair market value at beginning of the year		**419**	459
Net revaluations (included in gains less losses from investing activities)	2	**33**	–
Additions		**10**	37
Disposals		**(1)**	(76)
Exchange rate differences		**(1)**	(1)
Fair market value at end of year		**460**	419
Comprising			
Office buildings		**273**	238
Industrial buildings		**187**	181
Total investment properties		**460**	419
The following amounts have been included in the consolidated income statement:			
Rental income (included in gains less losses from investing activities)	2	**49**	42

Information regarding investment properties as required is kept at the group's registered offices. The information will be open for inspection in terms of section 26 of the Companies Act, 71 of 2008.

Refer to note 38 for information about the fair value of investment properties.

21 DEFERRED INCOME TAX

Movement on the deferred income tax account is shown below.

R million	2015	2014
Deferred income tax asset		
Opening balance	**862**	460
Disposal of subsidiaries	**(15)**	–
Exchange rate difference	**(1)**	(4)
Release to profit or loss	**562**	406
Deferred income tax on amounts charged directly to other comprehensive income	**128**	(1)
Other	**4**	1
Total deferred income tax asset	**1 540**	862
Deferred income tax liability		
Opening balance	**(796)**	(753)
Disposals of subsidiaries	**(9)**	–
Exchange rate difference	**(5)**	(6)
Release to profit or loss	**(101)**	(46)
Deferred income tax on amounts charged directly to other comprehensive income	**(4)**	3
Other	**2**	6
Total deferred income tax liability	**(913)**	(796)
Net deferred income tax asset	**627**	66

21 DEFERRED INCOME TAX continued

Deferred income tax assets and liabilities and deferred tax charged/released to profit or loss are attributable to the items below.

	2015		
R million	Opening balance	Exchange rate difference	Tax (charge)/ release
Deferred income tax asset			
Tax losses	183	1	18
Provision for loan impairment	19	–	781
Provision for post-employment benefits*	(1)	–	251
Other provisions	58	(1)	918
Cash flow hedges*	–	–	(179)
Financial instruments	20	–	(17)
Instalment credit assets	–	–	(469)
Accruals	1	–	(81)
Available-for-sale securities*	2	–	(135)
Capital gains tax	12	–	97
Other	568	(1)	(622)
Total deferred income tax asset	862	(1)	562
Deferred income tax liability			
Provision for loan impairment	819	–	(771)
Provision for post-employment benefits*	193	–	(181)
Other provisions	778	–	(859)
Cash flow hedges*	(180)	–	180
Financial instruments	215	–	(29)
Instalment credit assets	(1 080)	(3)	821
Accruals	(200)	–	121
Available-for-sale securities*	(352)	–	133
Capital gains tax	88	–	(94)
Transfer to non-current assets and disposal groups held for sale	4	–	–
Other	(1 081)	(2)	578
Total deferred income tax liability	(796)	(5)	(101)
Net deferred income tax asset	66	(6)	461

* *Certain amounts reported under the other column have been charged directly to other comprehensive income.*

Dividends declared by South African entities are subject to shareholders' withholding tax. The group would therefore incur no additional tax if the total reserves of R82 725 million (2014: R74 928 million) were declared as dividends.

Deferred income tax assets are recognised in respect of deductible temporary differences; unused tax losses and unused tax credits to the extent that the realisation of the related tax benefit is probable.

The group has not recognised a deferred tax asset amounting to R758 million (2014: R720 million) relating to tax losses. These tax losses have expiry dates ranging from 2015 to 2017.

	2015			
	Transfer to non-current assets and disposal groups held for sale	Disposals of subsidiaries	Other	Closing balance
	–	–	(1)	201
	–	–	(1)	799
	–	–	–	250
	–	–	(1)	974
	–	–	105	(74)
	–	–	–	3
	–	–	–	(469)
	–	–	(1)	(81)
	–	–	23	(110)
	–	–	(1)	108
	–	(15)	9	(61)
	–	(15)	132	1 540
	–	–	–	48
	–	–	1	13
	–	–	–	(81)
	–	–	–	–
	–	–	6	192
	–	–	–	(262)
	–	(9)	1	(87)
	–	–	(5)	(224)
	–	–	–	(6)
	–	–	(4)	–
	–	–	(1)	(506)
	–	(9)	(2)	(913)
	–	(24)	130	627

21 DEFERRED INCOME TAX continued

	2014			
R million	**Opening balance**	**Exchange rate difference**	**Tax (charge)/ release**	
Deferred income tax asset				
Tax losses	223	(3)	(37)	
Provision for loan impairment	22	–	(2)	
Provision for post-employment benefits*	–	–	–	
Other provisions	83	(1)	(24)	
Financial instruments	5	–	14	
Accruals	12	–	(11)	
Available-for-sale securities*	1	–	1	
Capital gains tax	10	–	3	
Other	104	–	462	
Total deferred income tax asset	460	(4)	406	
Deferred income tax liability				
Provision for loan impairment	609	–	209	
Provision for post-employment benefits*	124	–	(6)	
Other provisions	922	–	(141)	
Cash flow hedge*	(39)	–	–	
Financial instruments	10	–	204	
Instalment credit assets	(1 406)	(5)	331	
Accruals	(243)	–	42	
Available-for-sale securities*	(212)	–	(209)	
Capital gains tax	69	–	19	
Transfer to non-current assets and disposal groups held for sale	–	–	–	
Other	(587)	(1)	(495)	
Total deferred income tax liability	(753)	(6)	(46)	
Net deferred income tax asset	(293)	(10)	360	

* *Certain amounts reported under the other column have been charged directly to other comprehensive income.*

2014		
Transfer to non-current assets and disposal groups held for sale	Other	Closing balance
–	–	183
–	(1)	19
–	(1)	(1)
–	–	58
–	1	20
–	–	1
–	–	2
–	(1)	12
–	2	568
–	–	862
–	1	819
–	75	193
–	(3)	778
–	(141)	(180)
–	1	215
–	–	(1 080)
1	–	(200)
–	69	(352)
–	–	88
(4)	8	4
3	(1)	(1 081)
–	9	(796)
–	9	66

22 NON-CURRENT ASSETS AND DISPOSAL GROUPS HELD FOR SALE

R million	Notes	2015	2014
Total non-current assets held for sale		**373**	226
Non-current assets held for sale	22.1	**373**	72
Assets included in disposal groups held for sale	22.2	**–**	154
Total liabilities included in disposal groups held for sale	22.2	**–**	(34)
Net non-current assets held for sale		**373**	192

22.1 Non-current assets held for sale

		2015		2014	
R million	**Notes**	**Total**	**Other**	**Total**	**Other**
Non-current assets held for sale					
Advances		**237**	**237**	–	–
Property and equipment		**–**	**–**	40	40
Investments in associates	14.1	**136**	**136**	32	32
Total non-current assets held for sale		**373**	**373**	72	72

Non-current assets held for sale in 2015

ADVANCES

As part of the overall restructure of the RMB resources business, the group has met the IFRS 5 requirements to classify advances of R125 million as held for sale. The sale process is underway and marketing documents were distributed to potential buyers in May 2015. Completion of the process is anticipated in the fourth quarter of 2015.

INVESTMENTS IN ASSOCIATES

During the year, the group met the requirements to classify various investments in private equity associates and related advances of R112 million granted to these associates as non-current assets held for sale under IFRS 5. The proposed transactions to dispose of the investments in associates have been approved by the shareholders and a buyer for each of the investments has been identified. The documentation has been signed by both parties and the sales transactions will be finalised once the outstanding conditions have been met. The most significant outstanding conditions includes approval of the transactions by the Competition Commission. The sales of the underlying investments are expected to be finalised within 3 months of 30 June 2015.

Non-current assets held for sale in 2014

PROPERTY AND EQUIPMENT

At 30 June 2014 the group met the requirements to classify an investment property of R40 million as held for sale in terms of IFRS 5. The investment property comprises the remainder of Portion 13 of Erf 2772 La Lucia. The sale was finalised in the 2015 financial year.

INVESTMENTS IN ASSOCIATES

At 30 June 2014 the group met the requirements to classify an investment in an associate, Respiratory Care Africa Proprietary Limited, of R32 million as held for sale under IFRS 5. The transaction to dispose of the group's investment in Respiratory Care Africa Proprietary Limited had been approved by the shareholders and a buyer had been identified. The sale was finalised in the 2015 financial year.

22 NON-CURRENT ASSETS AND DISPOSAL GROUPS HELD FOR SALE continued

22.2 Disposal groups held for sale

Disposal groups held for sale in 2015

There were no disposal groups held for sale during the current year.

Disposal groups held for sale in 2014

SANI PASS HOTEL PROPRIETARY LIMITED

RMB Investment and Advisory Proprietary Limited, a subsidiary of the group, decided to dispose of its investment in a subsidiary, Sani Pass Hotel Proprietary Limited. The disposal group was recognised within RMB. The sale was finalised in the 2015 financial year.

DYNAMIC BEDDING PROPRIETARY LIMITED

RMB Corvest Proprietary Limited, a subsidiary of the group, decided to dispose of its investment in a subsidiary, Dynamic Bedding Proprietary Limited. The disposal group was recognised with RMB. The sale was finalised in the 2015 financial year.

	2014		
R million	**Total**	**Sani Pass Hotel Proprietary Limited**	**Dynamic Bedding Proprietary Limited**
Assets included in disposal groups held for sale			
Financial assets at amortised costs			
Loans and receivables			
Cash and cash equivalents	8	–	8
Accounts receivable	52	2	50
Non-financial			
Current tax asset	1	–	1
Property and equipment	85	65	20
Intangible assets	8	–	8
Total assets included in disposal groups held for sale	154	67	87

	2014		
R million	**Total**	**Sani Pass Hotel Proprietary Limited**	**Dynamic Bedding Proprietary Limited**
Liabilities included in disposal groups held for sale			
Financial liabilities at amortised cost			
Creditors and accruals	10	–	10
Other liabilities	20	15	5
Non-financial			
Deferred income tax liability	4	3	1
Total liabilities included in disposal groups held for sale	34	18	16
Net disposal groups held for sale	120	49	71

23 SHORT TRADING POSITIONS

R million	2015	2014
Government and government guaranteed stock	**5 233**	5 367
Other dated securities	**64**	31
Undated securities	**388**	44
Total short trading positions	**5 685**	5 442
Analysed as follows:		
Listed	**5 685**	5 442
Total short trading positions	**5 685**	5 442

24 CREDITORS AND ACCRUALS

R million	2015	2014
Accrued interest	**120**	83
Accrued expenses	**1 571**	1 157
Other accounts payable	**13 332**	10 540
Withholding tax for employees	**427**	334
Deferred income	**1 143**	947
Operating lease liability arising from straight lining of lease payments	**116**	102
Payments received in advance	**292**	274
Total creditors and accruals	**17 001**	13 437

25 DEPOSITS

	2015		
R million	**Designated at fair value through profit or loss**	**At amortised cost**	**Total**
Category analysis			
Current accounts	–	185 450	185 450
Call deposits	458	154 086	154 544
Savings accounts	–	9 843	9 843
Fixed and notice deposits	62 848	181 011	243 859
Negotiable certificates of deposit	2 062	53 628	55 690
Repurchase agreements	15 796	11 527	27 323
Securities lending	–	7 845	7 845
Cash collateral and credit linked notes	14 093	12 145	26 238
Fixed and floating rate notes	571	101 910	102 481
Securitisation issuances	–	12 218	12 218
Other	3 929	19 744	23 673
Non-recourse deposits*	16 357	–	16 357
Total deposits	**116 114**	**749 407**	**865 521**

	2014		
R million	**Designated at fair value through profit or loss**	**At amortised cost**	**Total**
Category analysis			
Current accounts	–	172 518	172 518
Call deposits	335	144 073	144 408
Savings accounts	–	8 296	8 296
Fixed and notice deposits	51 446	148 734	200 180
Negotiable certificates of deposit	3 062	54 481	57 543
Repurchase agreements	16 953	4 760	21 713
Securities lending	–	6 303	6 303
Cash collateral and credit linked notes	10 761	12 507	23 268
Fixed and floating rate notes	2 268	86 230	88 498
Securitisation issuances	–	7 572	7 572
Other	1 567	17 998	19 565
Non-recourse deposits*	18 370	–	18 370
Total deposits	104 762	663 472	768 234

* *Refer to note 13 for a description of non-recourse investment securities.*

25 DEPOSITS continued

	2015		
R million	Designated at fair value through profit or loss	At amortised cost	Total
Sector analysis			
Deposit current accounts and other loans			
Sovereigns, including central banks	1 758	54 507	56 265
Public sector entities	3 077	26 671	29 748
Local authorities	837	10 010	10 847
Banks	21 337	50 548	71 885
Securities firms	2 935	9 857	12 792
Corporate customers	79 023	360 666	439 689
Retail customers	5 004	236 574	241 578
Other	2 143	574	2 717
Total deposits	116 114	749 407	865 521
Geographical analysis			
South Africa	92 853	626 861	719 714
Other Africa	11 611	65 951	77 562
UK	10 810	29 095	39 905
Other	840	27 500	28 340
Total deposits	116 114	749 407	865 521

25 DEPOSITS continued

	2014		
R million	**Designated at fair value through profit or loss**	**At amortised cost**	**Total**
Sector analysis			
Deposit current accounts and other loans			
Sovereigns, including central banks	508	48 298	48 806
Public sector entities	2 424	33 643	36 067
Local authorities	758	10 318	11 076
Banks	17 455	27 184	44 639
Securities firms	606	8 234	8 840
Corporate customers	72 699	325 508	398 207
Retail customers	8 799	209 817	218 616
Other	1 513	470	1 983
Total deposits	104 762	663 472	768 234
Geographical analysis			
South Africa	87 587	574 295	661 882
Other Africa	4 908	54 765	59 673
UK	5 310	11 445	16 755
Other	6 957	22 967	29 924
Total deposits	104 762	663 472	768 234

26 PROVISIONS

R million	Notes	2015	2014
Audit fees			
Opening balance		**84**	88
Exchange rate differences		**–**	1
Charge to profit or loss	3	**228**	187
– Additional provision created		**231**	188
– Unused provision reversed		**(3)**	(1)
Utilised		**(218)**	(192)
Closing balance		**94**	84
Other*			
Opening balance		**713**	511
Exchange rate differences		**(1)**	6
Charge to profit or loss		**81**	316
– Additional provision created		**187**	371
– Unused provision reversed		**(106)**	(55)
Utilised		**(264)**	(120)
Closing balance		**529**	713
Total provisions		**623**	797

* *Other include provisions for litigation and claims.*

27 OTHER LIABILITIES

R million	Notes	2015	2014
Finance lease liabilities	27.1	**2**	6
Funding liabilities*		**6 874**	6 580
Total other liabilities		**6 876**	6 586

* *Included are preference shares with a carrying value of R3 987 million (2014: R4 268 million). Details about these shares can be found in note 29.*

27.1 Finance lease liabilities

R million	2015	2014
Finance lease liabilities		
Not later than 1 year	**2**	4
Later than 1 year and not later than 5 years	**–**	2
Total finance lease liabilities	**2**	6

Refer to note 16 for assets that secure finance lease liabilities.

28 TIER 2 LIABILITIES

R million	2015	2014
Fixed rate bonds*	**2 961**	4 614
Floating rate bonds**	**9 536**	7 369
Total Tier 2 liabilities#	**12 497**	11 983

* *The ZAR denominated fixed rate bonds mature between 1 December 2016 and 2 June 2021 and bear interest at rates between 7.25% and 12%.*

** *The ZAR denominated floating rate bonds of R6 951 million (2014: R5 050 million) mature between 10 June 2016 and 2 June 2021 and the interest varies between 70 bps and 350 bps above the three month JIBAR. The USD denominated floating rate bonds of USD 174.2 million (2014: USD 174.2 million) mature on 9 April 2019 and bear an interest rate at 415 bps over LIBOR. Remaining floating rate bonds denominated in other currencies R471 million (2014: R468 million) mature between 1 December 2016 and 29 March 2017 and bear interest at varying rates.*

\# *Subordinated bonds issued on or after 1 January 2013 can, at the discretion of the Registrar, either be written down or converted into the most subordinated form of equity upon the occurrence of a trigger event, being the point at which the bank is considered to be non-viable.*

29 SHARE CAPITAL AND SHARE PREMIUM

29.1 Share capital and share premium classified as equity

	2015		
	Number of ordinary shares	**Number of A preference shares****	**Number of B preference shares#**
Authorised			
Number of shares	**6 001 688 450**	**198 311 550**	**100 000 000**
Issued – fully paid up			
Ordinary shares			
Opening balance	**5 637 941 689**	**–**	**–**
Shares issued	**35 420 014**	**–**	**–**
Shares bought back	**(63 873 702)**	**–**	**–**
Closing balance	**5 609 488 001**	**–**	**–**
B preference shares			
Opening balance	**–**	**–**	**45 000 000**
Closing balance	**–**	**–**	**45 000 000**
Total issued share capital and share premium	**5 609 488 001**	**–**	**45 000 000**
Analysis of total issued share capital closing balance			
Ordinary issued share capital of 1 cent each closing balance as above	**5 609 488 001**	**–**	**–**
Treasury shares	**(2 956 365)**	**–**	**–**
Total issued share capital attributable to ordinary equityholders	**5 606 531 636**	**–**	**–**
B variable rate, NCNR preference shares of 1 cent each	**–**	**–**	**45 000 000**
Total issued share capital attributable to equityholders of the group	**5 606 531 636**	**–**	**45 000 000**
Disclosed on the face of the statement of financial position			
Ordinary share capital			
Ordinary share premium			
NCNR preference shares			
Total			
At beginning of year			
– Disposal of subsidiaries			
– Issued during the year			
– Impact of treasury shares			
At end of year			

* *Less than R500 000.*

** *The A variable rate cumulative convertible redeemable preference shares are not listed.*

The B preference shares are variable rate NCNR preference shares and are listed on the JSE. Dividends on the B preference shares are calculated at a rate of 75.5% of the FNB prime lending rate effective 23 May 2012.

† *The C preference shares are unlisted variable rate convertible non-cumulative redeemable preference shares.*

‡ *The D preference shares are unlisted variable rate, cumulative redeemable preference shares.*

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

	2015				
	Number of C preference shares†	Number of D preference shares‡	Ordinary share capital R million	Share premium R million	Total
	100 000 000	100 000 000	–	–	–
	–	–	56	7 082	7 138
	–	–	–	1 611	1 611
	–	–	–	(637)	(637)
	–	–	56	8 056	8 112
	–	–	*	4 519	4 519
	–	–	*	4 519	4 519
	–	–	56	12 575	12 631
	–	–	56	8 056	8 112
	–	–	–	(59)	(59)
	–	–	56	7 997	8 053
	–	–	*	4 519	4 519
	–	–	56	12 516	12 572
					56
					7 997
					4 519
					12 572
					–
					1 611
					48
					1 659

29 SHARE CAPITAL AND SHARE PREMIUM continued

29.1 Share capital and share premium classified as equity continued

	2014			
	Number of ordinary shares	**Number of A preference shares****	**Number of B preference shares**[#]	
Authorised				
Number of shares	6 001 688 450	198 311 550	100 000 000	
Issued – fully paid up				
Ordinary shares				
Opening balance	5 637 941 689	–	–	
Shares issued	–	–	–	
Shares bought back	–	–	–	
Closing balance	5 637 941 689	–	–	
B preference shares				
Opening balance	–	–	45 000 000	
Closing balance	–	–	45 000 000	
Total issued share capital and share premium	5 637 941 689	–	45 000 000	
Analysis of total issued share capital closing balance				
Ordinary issued share capital closing balance as above 1 cent each	5 637 941 689	–	–	
Treasury shares	(152 823 701)	–	–	
Total issued share capital attributable to ordinary equityholders	5 485 117 988	–	–	
B variable rate, NCNR preference shares of 1 cent each	–	–	45 000 000	
Total issued share capital attributable to equityholders of the group	5 485 117 988	–	45 000 000	
Disclosed on the face of the statement of financial position				
Ordinary share capital				
Ordinary share premium				
NCNR preference shares				
Total				
At beginning of year				
– Disposal of subsidiaries				
– Issued during the year				
– Bought back during the year				
At end of year				

* *Less than R500 000.*

** *The A variable rate cumulative convertible redeemable preference shares are not listed.*

[#] *The B preference shares are variable rate NCNR preference shares and are listed on the JSE. Dividends on the B preference shares are calculated at a rate of 75.5% of the FNB prime lending rate effective 23 May 2012.*

† *The C preference shares are unlisted variable rate convertible non-cumulative redeemable preference shares.*

‡ *The D preference shares are unlisted variable rate, cumulative redeemable preference shares.*

	2014				
	Number of C preference shares†	**Number of D preference shares‡**	**Ordinary share capital R million**	**Share premium R million**	**Total**
	100 000 000	100 000 000	–	–	–
	–	–	56	7 082	7 138
	–	–	–	–	–
	–	–	–	–	–
	–	–	56	7 082	7 138
	–	–	*	4 519	4 519
	–	–	*	4 519	4 519
	–	–	56	11 601	11 657
	–	–	56	7 082	7 138
	–	–	(1)	(1 551)	(1 552)
	–	–	55	5 531	5 586
	–	–	*	4 519	4 519
	–	–	55	10 050	10 105
					55
					5 531
					4 519
					10 105
					–
					–
					–
					–

29 SHARE CAPITAL AND SHARE PREMIUM continued

29.1 Share capital and share premium classified as equity

%	2015	2014
The following represents the shareholding of subsidiaries in FirstRand Limited at 30 June		
These shares have been treated as treasury shares.	**0.05**	0.03
Share option schemes		
The investment in FirstRand Limited by the share incentive schemes has been treated as treasury shares as set out above.*	**–**	2.69

* *During the current year the share incentive scheme vested. Refer to note 31 for further details.*

29 SHARE CAPITAL AND SHARE PREMIUM continued

Preference shares that qualify as Tier 2 capital have been included in Tier 2 liabilities (note 28). Other preference share liabilities have been included in deposits (note 25) or other liabilities (note 27) as appropriate.

29.2 Share capital and share premium classified as liabilities

R million	2015	2014
Redeemable preference shares		
Authorised		
5 000 000 000 redeemable preference shares with a par value of R0.0001 per share	**1**	1
100 000 000 million cumulative redeemable preference shares with a par value of 1 cent per share	**1**	1
Issued – fully paid up		
32 670 (2014: 32 670) redeemable preference shares with a par value of R0.0001 per share	*****	*
Redeemable preference share premium	**3 267**	3 267
5 030 001 (2014: 5 030 001) cumulative redeemable preference shares with a par value of 1 cent per share at various premiums per share**	*****	*
Redeemable class R preference shares		
Authorised		
50 000 redeemable preference shares with a par value of R0.0001 per share	*****	*
Issued – fully paid up		
6 287 (2014: 9 812) redeemable preference shares with a par value of R0.0001 per share issued by FirstRand Bank Limited	*****	*
Redeemable R class share premium	**629**	981

* *Denotes amounts less than R500 000.*

** *The amount excludes shares issued within the group and eliminated upon consolidation of R5 030 million (2014: R5 030 million).*

	Number of redeemable preference shares	Number of cumulative redeemable preference shares	Number of redeemable class R preference shares
Reconciliation of shares issued			
Shares at 1 July 2013	1 670	3 546 866	8 905
Issued during the year	31 000	1 500 000	1 100
Redeemed during the year	–	(16 865)	(193)
Shares at 30 June 2014	32 670	5 030 001	9 812
Issued during the year	**–**	**–**	**–**
Redeemed during the year	**–**	**–**	**(3 525)**
Shares at 30 June 2015	**32 670**	**5 030 001**	**6 287**

For detail on capital management of the group please refer to the capital management section from page 170 to 176 which form part of the audited financial statements.

These preference shares bear interest at 66.67% of the FNB prime lending rate and are redeemable after three years and one day after the date of issue.

30 NON-CONTROLLING INTERESTS

The following subsidiaries have non-controlling interests that are material to the group.

	Country of incorporation	Interest owned by non-controlling interests %	Voting rights owned by non-controlling interests %
First National Bank of Namibia Holdings Limited	Namibia	**38**	**38**
First National Bank Holdings Botswana Limited*	Botswana	*	*
Other emerging markets	Various	**Various**	**Various**
RMB private equity group**	South Africa	**Various**	**Various**
Makalani Holdings Limited	South Africa	**–**	**–**
Immaterial non-controlling interests	Various	**Various**	**Various**

	Profit or loss attributable to non-controlling interests		Accumulated balance of non-controlling interests		Dividends paid to non-controlling interests	
R million	**2015**	**2014**	**2015**	**2014**	**2015**	**2014**
First National Bank of Namibia Holdings Limited	**409**	311	**1 374**	1 189	**8**	121
First National Bank Holdings Botswana Limited*	**213**	260	**892**	816	**152**	138
Other emerging markets	**7**	19	**67**	1	**143**	–
RMB private equity group**	**467**	357	**817**	729	**405**	239
Makalani Holdings Limited	**–**	15	**–**	149	**–**	53
Immaterial non-controlling interests	**95**	96	**157**	300	**56**	79
Total non-controlling interests	**1 191**	1 058	**3 307**	3 184	**764**	630

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

** *The group holds 95.74% of the shares in RMB Private Equity Holdings Proprietary Limited. The non-controlling interests recognised by the group results from RMB private equity's shareholding in various other private equity subsidiaries.*

It is the group's investment strategy to limit the non-controlling interests in its subsidiary holdings. The group generally holds 100% interests in its key subsidiaries. These key subsidiaries may have holdings in various other subsidiaries and recognise non-controlling interests in their consolidated financial statements.

30 NON-CONTROLLING INTERESTS continued

The following balances have been included in the consolidated statement of financial position and statement of comprehensive income in respect of these entities.

	Total Assets		Total Liabilities		Profit before tax	
R million	**2015**	**2014**	**2015**	**2014**	**2015**	**2014**
First National Bank of Namibia Holdings Limited*	**29 791**	26 266	**26 402**	23 487	**999**	784
First National Bank Holdings Botswana Limited**	**25 801**	21 301	**22 750**	18 524	**691**	835
Other emerging markets	**23 949**	19 211	**16 129**	12 108	**712**	580
RMB private equity group	**9 342**	11 447	**5 625**	7 557	**1 867**	1 223
Makalani Holdings Limited	**–**	700	**–**	417	**–**	65

* *Included in total assets are cash balances of R289 million (2014: R247 million) held with the central bank of Namibia which are not available to the group for day-to-day operational use.*

** *Included in total assets are cash balances of R1 636 million (2014: R1 482 million) held with the central bank of Botswana which are not available to the group for day-to-day operational use.*

During the year the group entered into transactions with the non-controlling interests of certain entities whereby the group's shareholding in the subsidiary changed without the group losing control of the subsidiary. The following amounts were recognised directly in equity as a result of these transactions:

R million	2015	2014
RMB private equity	**(7)**	(180)
Makalani Holdings Limited	**(21)**	–

30 NON-CONTROLLING INTERESTS continued

30.1 Transactions with non-controlling interests

Acquisition of additional interests in subsidiaries

	2015			2014	
	Total	**RMB private equity**	**Makalani Holdings Limited**	**Total**	**RMB private equity**
Carrying amount of non-controlling interests acquired	**151**	**10**	**141**	93	93
Consideration paid to non-controlling interests	**181**	**19**	**162**	273	273
– Discharged by cash	**181**	**19**	**162**	273	273
– Non-cash consideration	**–**	**–**	**–**	–	–
Loss recognised directly in equity	**(30)**	**(9)**	**(21)**	(180)	(180)

Makalani Holdings Limited

During December 2014 the group (through its subsidiary RMBIA) acquired an additional 22.72% interest in a subsidiary from the non-controlling interests. The group now holds 100% of the share capital of the entity.

RMB private equity

During the current year the group acquired additional interests in various private equity subsidiaries, through its subsidiaries RMB Private Equity Holdings Proprietary Limited and Corvest Holdings Proprietary Limited. During December 2013 the group (through its subsidiary RMB Private Equity Holdings Proprietary Limited) acquired an additional 14% interest in a subsidiary from the non-controlling interests. The group now holds 73.3% of the share capital of the entity.

30 NON-CONTROLLING INTERESTS continued

30.1 Transactions with non-controlling interests continued

Disposals of interest in subsidiaries without a loss of control

	2015		2014
	Total	**RMB private equity**	**Total***
Carrying amount of interests disposed of	**2**	**2**	–
Consideration received from non-controlling interests	**4**	**4**	–
– Discharged by cash	**–**	**–**	–
– Non-cash consideration	**4**	**4**	–
Gain recognised directly in equity	**2**	**2**	–

* *There were no significant disposals of interest in subsidiaries to non-controlling interests during the prior year.*

31 REMUNERATION SCHEMES

R million	Notes	2015	2014
The charge to profit or loss for share-based payments is as follows:			
FirstRand black employee scheme		**72**	27
FirstRand black non-executive directors' scheme		**2**	1
FirstRand share appreciation rights scheme		*****	289
Conditional share plan		**2 204**	1 312
Other subsidiary schemes		**25**	16
Amount included in profit or loss	3	**2 303**	1 645

* *Denotes amounts under R500 000.*

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

31 REMUNERATION SCHEMES continued

Maturity of FirstRand's BEE transaction

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

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

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

31 REMUNERATION SCHEMES continued

Description of schemes and vesting conditions:

Scheme	IFRS 2 treatment	Description	Vesting conditions
FirstRand black employee scheme	Equity settled	This scheme was set up specifically for the benefit of the black employees. The issue of participation rights in the scheme was made on the following dates – 20 July 2005, 1 November 2006, 3 December 2007 and 14 May 2010.	The rights granted under this scheme vested during December 2014.
FirstRand black non-executive directors scheme	Equity settled	This scheme was set up specifically for the benefit of black non-executive directors and those executive directors who were non-executives prior to becoming executives of the FirstRand group.	The rights granted under this scheme vested during December 2014.
FirstRand share appreciation rights scheme	Cash settled	This scheme was implemented in 2006 to provide selected FirstRand group employees, including executive directors of participating companies, the opportunity of receiving incentive remuneration payments based on the increase in the market value of ordinary FirstRand shares.	One third of the total number of rights issued may be exercised after the third year, two thirds after the fourth year and all of the shares by the fifth anniversary of the date of grant, provided that the performance objectives set for the grant have been achieved. The final tranche of the rights granted have vested during the financial year ended 30 June 2015. In any one year where the performance objectives have not been achieved the shares will not vest in that year but will be carried over to the following year, provided that the performance objectives are met in that following year. If performance conditions are not met by year five, the rights will not vest. These corporate performance targets are set out on page 89. The majority of the shares vested in November 2013 and the remaining vested 1 October 2014.

31 REMUNERATION SCHEMES continued

Description of schemes and vesting conditions:

Scheme	IFRS 2 treatment	Description	Vesting conditions
Conditional share plan	Equity settled (share awards granted up to 2011) Cash settled (share awards granted from 2012 onwards)	The conditional award comprises a number of full shares with no strike price.	These awards vest after three years. The number of shares that vest is determined by the extent to which the performance conditions are met. Conditional awards are made annually and vesting is subject to specified financial and non-financial performance conditions, set annually by the group's remuneration committee. These corporate performance targets are set out on page 89.

31 REMUNERATION SCHEMES continued

Valuation methodologies

Scheme	Valuation methodology		
FirstRand black employee scheme	Black Scholes option pricing model	Economically, FirstRand has granted European call options and is repurchasing shares. The strike price equates to the expected outstanding amount of the funding. The value of the implicit options is determined using the Black Scholes option pricing model.	
FirstRand black non-executive directors scheme	Black Scholes option pricing model	The FirstRand black non-executive directors scheme is valued on the same methodology as used for the FirstRand black employee trust, except that a zero percentage weighted average forfeiture rate was used. There were only 10 participants (2014: 10 participants).	
FirstRand share appreciation rights scheme	Cox Rubenstein binomial model	The scheme is cash settled and will thus be repriced at each reporting date.	
Conditional share plan	Black Scholes option pricing model	The conditional share plan is valued using the Black Scholes option pricing model with a zero strike price. Grants made before 2012 are equity settled and are therefore not repriced at each reporting date. The scheme relating to the grants made during 2012 and after is cash settled and is therefore repriced at each reporting date.	

Valuation assumptions		
Dividend data	**Market related**	**Employee related**
A fixed dividend yield was assumed.	• volatility is the expected volatility over the period of the plan,and historical volatility was used as a proxy for expected volatility; and • the interest rate used was the RMB forward prime curve (extrapolated where necessary) as the funding of the option is linked to the prime lending rate.	The weighted average forfeiture rate used is based on historical forfeiture data for this scheme and takes cognisance of whether the shares are in or out the money and the vesting date.
A fixed dividend yield was assumed.		Not applicable.
Management's estimates of future dividends.	• volatility is the expected volatility over the period of the plan, and historical volatility was used as a proxy for expected volatility; and • the interest rate is the risk free rate of return as recorded on the last day of the financial year, on a swap curve of a term equal to the expected life of the plan.	The number of rights granted is reduced by the actual staff turnover at year end. This turnover is then assumed to be constant over the period of the grant and used to estimate the expected number of rights which will vest on the vesting date.
Management's estimates of future discrete dividends.		The weighted average forfeiture rate used is based on historical forfeiture data over all schemes and takes cognisance of whether the shares are in or out the money and the vesting date.

31 REMUNERATION SCHEMES continued

Corporate performance targets

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

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

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

Expired schemes

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

Currently open

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

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

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

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

31 REMUNERATION SCHEMES continued

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

	FNB Botswana	FNB Namibia	FirstRand black employee scheme	FirstRand black non-executive directors scheme	FirstRand share appreciation rights scheme	Conditional share plan
2015						
Range of exercise prices (rand)	**2.69 – 15.10**	**4.00 – 24.52**	**–**	**–**	**–**	**–**
Expected volatility (%)	**13 – 35**	**4.02 – 16**	**–**	**–**	**–**	**25**
Expected option life (years)	**5**	**5**	**–**	**–**	**–**	**3 – 4**
Expected risk free rate (%)	**7.29 – 9.45**	**5.81 – 7.69**	**–**	**–**	**–**	**4.82 – 7.07**
Expected dividend yield (%)	**–**	**4.52**	**–**	**–**	**–**	**–**
Expected dividend growth (%)	**15 – 20**	**–**	**–**	**–**	**–**	**–**
2014						
Range of exercise prices (rand)	2.69 – 15.10	4.00 – 19.32	12.05 – 24.60	12.28 – 17.60	7.85 – 12.98	–
Expected volatility (%)	13 – 35	4.02 – 16	24 – 49	23 – 33	25	25
Expected option life (years)	5	5	5 – 10	10	5	3 – 4
Expected risk free rate (%)	7.29 – 9.45	5.81 – 7.69	6.91 – 9.90	6.91	4.82 – 5.21	4.82 – 7.07
Expected dividend yield (%)	–	4.52	3.50	3.50	–	–
Expected dividend growth (%)	15 – 20	–	–	–	–	–

31 REMUNERATION SCHEMES continued

	2015			
	FirstRand share appreciation rights scheme (FSR shares)	**FirstRand black employee scheme (FSR shares)***	**FirstRand black non-executive directors scheme (FSR shares)**	**Conditional share plan (FSR shares)****
Number of options and share awards in force at the beginning of the year (millions)	**0.1**	**109.1**	**9.5**	**113.4**
Granted at prices ranging between (cents)	1 298 – 1 298	1 205 – 2 460	1 228 – 1 760	–
Weighted average (cents)	1 298	1 622	1 284	–
Number of options and share awards granted during the year (millions)	**–**	**–**	**–**	**32.9**
Granted at prices ranging between (cents)	–	–	–	–
Weighted average (cents)	–	–	–	–
Grant date fair value	–	–	–	–
Number of options and shares awards exercised/released during the year (millions)	**(0.1)**	**(109.4)**	**(9.7)**	**(43.7)**
Market value range at date of exercise/release (cents)	4 302 – 4 302	4 892 – 4 892	4 892 – 4 892	3 935 – 5 631
Weighted average (cents)	4 302	4 892	4 892	4 432
Number of options and share awards cancelled/lapsed during the year (millions)	**–**	**0.3**	**0.2**	**(4.9)**
Granted at prices ranging between (cents)	–	1 228 – 2 234	2 998 – 2 998	–
Weighted average (cents)	–	1 787	2 998	–
Number of options and share awards in force at the end of the year (millions)	**–**	**–**	**–**	**97.7**
Granted at prices ranging between (cents)	–	–	–	–
Weighted average (cents)	–	–	–	–

* *As the scheme gets closer to the vesting date more accurate information is available about the final level of forfeitures expected.*

** *The grant date fair value was not determined as these share awards are cash-settled and are remeasured to fair value at each reporting date.*

31 REMUNERATION SCHEMES continued

	2014			
	FirstRand share appreciation rights scheme (FSR shares)	**FirstRand black employee scheme (FSR shares)***	**FirstRand black non-executive directors scheme (FSR shares)**	**Conditional share plan (FSR shares)****
Number of options and share awards in force at the beginning of the year (millions)	41.1	106.1	9.5	122.9
Granted at prices ranging between (cents)	785 – 1 298	1 205 – 2 460	1 228 – 1 760	–
Weighted average (cents)	1 048	1 638	1 284	–
Number of options and share awards granted during the year (millions)	–	–	–	41.6
Granted at prices ranging between (cents)	–	–	–	–
Weighted average (cents)	–	–	–	–
Grant date fair value	–	–	–	–
Number of options and shares awards exercised/released during the year (millions)	(40.6)	–	–	(46.3)
Market value range at date of exercise/release (cents)	2 440 – 3 866	–	–	2 825 – 4 074
Weighted average (cents)	3 516	–	–	3 346
Number of options and share awards cancelled/ lapsed during the year (millions)	(0.4)	3.0	–	(4.8)
Granted at prices ranging between (cents)	1 014 – 1 048	1 228 – 2 234	–	–
Weighted average (cents)	1 047	1 187	–	–
Number of options and share awards in force at the end of the year (millions)	0.1	109.1	9.5	113.4
Granted at prices ranging between (cents)	1 298 – 1 298	1 205 – 2 460	1 228 – 1 760	–
Weighted average (cents)	1 298	1 622	1 284	–

* *As the scheme gets closer to the vesting date more accurate information is available about the final level of forfeitures expected.*

** *The grant date fair value was not determined as these share awards are cash-settled and are remeasured to fair value at each reporting date.*

31 REMUNERATION SCHEMES continued

	2015		
	FirstRand share appreciation rights scheme (FSR shares)		
Options and share awards outstanding	**Range of exercise prices (rand)**	**Weighted average remaining life (years)**	**Outstanding options (millions)**
			–
			–
			–
Total options and share awards – in the money (millions)			–
Total options and share awards – out of the money (millions)			–
Total options and share awards (millions)			–
Value of group loans to share option trust at the beginning of the year (R million)			–
Value of group loans to share option trust at the end of the year (R million)			–
Number of participants			–

	2015		
	FirstRand black employee scheme		
Options and share awards outstanding	**Range of exercise prices (rand)**	**Weighted average remaining life (years)**	**Outstanding option (millions)**
			–
			–
			–
			–
			–
Total options and share awards – in the money (millions)			–
Total options and share awards – out of the money (millions)			–
Total options and share awards (millions)			–
Value of group loans to share option trust at the beginning of the year (R million)			**1 581**
Value of group loans to share option trust at the end of the year (R million)			–
Number of participants			–

* *The employees are awarded the shares, there is therefore no strike price associated with the awards made under the conditional share plan.*

	2015		
	FirstRand black non-executive directors scheme (FSR shares)		
	Range of exercise prices (rand)	Weighted average remaining life (years)	Outstanding options (millions)
			–
			–
			–
			–
			–
			–
			192
			–
			–

	2015	
	Conditional share plan*	
	Weighted average remaining life (years)	Outstanding options (millions)
	0.28	30.2
	1.29	34.2
	2.28	33.1
	2.59	0.2
		97.7
		97.7
		–
		97.7
		–
		–
		2 758

31 REMUNERATION SCHEMES continued

	2014			
	FirstRand share appreciation rights scheme (FSR shares)			
Options and share awards outstanding	**Range of exercise prices (rand)**	**Weighted average remaining life (years)**	**Outstanding options (millions)**	
	10.48 – 14.46	0.34	0.1	
			–	
			0.1	
Total options and share awards – in the money (millions)			0.1	
Total options and share awards – out of the money (millions)			–	
Total options and share awards (millions)			0.1	
Value of group loans to share option trust at the beginning of the year (R million)			–	
Value of group loans to share option trust at the end of the year (R million)			–	
Number of participants			1	

	2014			
	FirstRand black employee scheme			
Options and share awards outstanding	**Range of exercise prices (rand)**	**Weighted average remaining life (years)**	**Outstanding option (millions)**	
	12.05 – 14.00	0.50	54.1	
	14.01 – 16.56	0.50	2.1	
	16.57 – 19.89	0.50	36.0	
	19.90 – 24.60	0.50	16.9	
			109.1	
Total options – in the money and share awards (millions)			109.1	
Total options – out of the money (millions)			–	
Total options and share awards (millions)			109.1	
Value of group loans to share option trust at the beginning of the year (R million)			1 715	
Value of group loans to share option trust at the end of the year (R million)			1 581	
Number of participants			11 328	

* *The employees are awarded these shares; there is therefore no strike price associated with the awards made under the conditional share plan.*

2014		
FirstRand black non-executive directors scheme (FSR shares)		
Range of exercise prices (rand)	**Weighted average remaining life (years)**	**Outstanding options (millions)**
12.05 – 14.00	0.50	8.5
16.57 – 19.89	0.50	1.0
		9.5
		9.5
		–
		9.5
		205
		192
		10

2014	
Conditional share plan*	
Weighted average remaining life (years)	**Outstanding options (millions)**
0.29	42.4
1.27	37.7
2.29	33.0
2.77	0.2
	113.3
	113.3
	–
	113.3
	–
	–
	2 553

32 CASH FLOW INFORMATION

R million	2015	2014
32.1 Reconciliation of operating profit before income tax to cash generated from operating activities		
Income before tax	**30 739**	26 255
Adjusted for:		
– Depreciation, amortisation and impairment charges	**2 292**	2 460
– Impairment of advances	**5 150**	5 252
– Share of profit of associates after tax net of dividends	**(648)**	(240)
– Share of profit of joint ventures after tax net of dividends	**(151)**	(16)
– Movement in provisions and employee liabilities	**4 198**	4 342
– Loss on disposal of property and equipment	**5**	32
– (Gain)/loss on disposal of investments securities and other investments	**(45)**	27
– Gain on disposal of subsidiaries	**(220)**	(14)
– Gain on remeasuring retained interest in subsidiaries disposed of	**-**	(4)
– Gain on disposal of associates	**(847)**	(893)
– Loss on disposal of joint ventures	**1**	–
– Fair value gains on investments properties held for fair value through profit or loss	**(33)**	–
– Deferred expenses and income	**(107)**	(504)
– Share-based payment expense	**2 303**	1 645
– Net fair value gains on financial assets through profit or loss	**(4 394)**	(4 887)
– Accruals	**(531)**	253
– Present value adjustments	**(104)**	(158)
– Dividends paid	**(11 034)**	(8 957)
– Dividends paid to non-controlling interests	**(764)**	(630)
– Loss/(gain) relating to foreign currency translations	**90**	(85)
– Reclassification from other comprehensive income in respect of available-for-sale assets and cash flow hedges	**(100)**	544
Cash generated from operating activities	**25 800**	24 422
32.2 Cash receipts from customers		
Interest income	**58 225**	49 419
Fee and commission income	**24 073**	22 049
Trading and other income	**3 078**	5 161
Premium income less claims	**(52)**	49
Cash receipts from customers	**85 324**	76 678
32.3 Cash paid to customers, suppliers and employees		
Interest expense	**(22 473)**	(19 554)
Other operating expenses	**(29 576)**	(26 849)
Cash paid to customers, suppliers and employees	**(52 049)**	(46 403)
32.4 Dividends paid		
Charged to retained earnings	**(11 034)**	(8 957)
Total dividends paid	**(11 034)**	(8 957)

32 CASH FLOW INFORMATION continued

R million	2015	2014
32.5 (Increase)/decrease in income-earning assets		
Liquid assets and trading securities	**(40 204)**	14 364
Advances	**(70 380)**	(88 994)
Increase in income-earning assets	**(110 584)**	(74 630)
32.6 Increase/(decrease) in deposits and other liabilities		
Deposits	**94 145**	69 597
Creditors (net of debtors)	**4 144**	1 583
Employee liabilities	**(4 570)**	(4 321)
Other	**3 531**	1 938
Increase in deposits and other liabilities	**97 250**	68 797
32.7 Taxation paid		
Tax payable at beginning of the year	**(238)**	(247)
Other*	**28**	26
Charge to income statement	**(6 731)**	(5 591)
Tax payable at year end	**238**	238
Deferred tax	**(462)**	(360)
Indirect tax	**(900)**	(777)
Total taxation paid	**(8 065)**	(6 711)

* *Other includes acquisitions/disposals of subsidiaries, customer tax adjustments and foreign withholding tax.*

33 CONTINGENCIES AND COMMITMENTS

R million	2015	2014
Contingencies and commitments		
Guarantees*	**34 995**	33 114
Letters of credit	**6 010**	7 588
Total contingencies	**41 005**	40 702
Irrevocable commitments	**87 464**	82 932
Committed capital expenditure	**5 340**	3 964
Operating lease commitments	**2 810**	2 581
Other	**442**	585
Contingencies and commitments	**137 061**	130 764

* *Guarantees consist predominantly of endorsements and performance guarantees.*

Other contingencies

The group is exposed to various actual or potential claims.

Legal proceedings

There are a number of legal or potential claims against the group, the outcome of which cannot at present be foreseen. These claims are not regarded as material either on an individual or a total basis.

	2015	2014
Provision is made for all liabilities that are expected to materialise.	**235**	219

Commitments

Commitments in respect of capital expenditure and long-term investments approved by directors comprise of the following.

	2015	2014
– Property, equipment and intangible asset commitments contracted for at the reporting date but not yet incurred	**916**	1 169
– Property, equipment and intangible asset commitments not yet contracted for at the the reporting date but approved by the directors	**4 424**	2 795

Funds to meet these commitments will be provided from the group's resources.

33 CONTINGENCIES AND COMMITMENTS continued

African Bank Investments Limited (ABIL) contingency

The SARB announced in August 2014 that ABIL would be placed under curatorship. A consortium of six South African banks, including FirstRand, and the Public Investment Corporation (PIC) underwrote R5 billion.

Commitments under operating leases where the group is the lessee

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

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

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

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

	2014		
R million	**Within 1 year**	**Between 1 and 5 years**	**More than 5 years**
Office premises	783	1 345	36
Recoverable under subleases	–	–	–
Net office premises	783	1 345	36
Equipment and motor vehicles	133	139	145
Total operating lease commitments	916	1 484	181

33 CONTINGENCIES AND COMMITMENTS continued

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

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

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

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

	2014		
R million	**Within 1 year**	**Between 1 and 5 years**	**More than 5 years**
Property	67	198	93
Motor vehicles	631	1 076	34
Total operating lease commitments	698	1 274	127

34 COLLATERAL PLEDGED AND HELD

34.1 Collateral pledged

The following liabilities have been secured by the group pledging either its own or borrowed financial assets, except for the short trading positions which are covered by borrowed securities only:

R million	2015	2014
Short trading positions	**5 685**	5 442
Creditors and accruals	**65**	–
Total deposits	**36 250**	29 682
– Deposits under repurchase agreements	**27 323**	21 713
– Deposits in securities lending transactions*	**7 845**	6 303
– Other secured deposits	**1 082**	1 666
Other	**1 024**	990
Total	**43 024**	36 114

* *Securities lending transactions include only those where cash is placed against the securities borrowed. Transactions where securities are lent and borrowed and other securities placed against the borrowing and lending are excluded.*

The group pledges assets under the following terms and conditions:

- mandatory reserve deposits are held with the central bank in accordance with statutory requirements. These deposits are not available to finance the group's day-to-day operations;
- assets are pledged as collateral under repurchase agreements with other banks and for security deposits relating to local futures and options; and
- collateral in the form of cash and other investment securities is pledged when the group borrows equity securities from third parties. These transactions are conducted under the terms and conditions that are usual and customary to standard securities lending arrangements.

All other pledges are conducted under terms which are usual and customary to lending arrangements.

Assets pledged to secure the above liabilities consist of the following:

R million	2015	2014
Cash and cash equivalents	**861**	877
Advances	**111**	109
Investment securities and other investments – held under repurchase agreements	**18 655**	11 132
Investment securities and other investments – other	**1 206**	1 627
Other	**27**	–
Total assets pledged	**20 860**	13 745

34 COLLATERAL PLEDGED AND HELD continued

34.2 Collateral held

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

	2015		2014	
R million	**Fair value**	**Fair value of collateral sold or repledged**	**Fair value**	**Fair value of collateral sold or repledged**
Cash and cash equivalents	**6 444**	**–**	6 641	–
Investment securities and other investments – other *	**49 320**	**23 369**	39 114	22 271
Total collateral pledged	**55 764**	**23 369**	45 755	22 271

* *The amount excludes securities lending transactions where securities are obtained as collateral for securities lent, this is in line with industry practice.*

When the group takes possession of collateral that is not cash or not readily convertible into cash, the group determines a minimum sale amount (pre-set sale amount) and auctions the asset for the pre-set sale amount.

Where the group is unable to obtain the pre-set sale amount in an auction, the group will continue to hold the asset while actively marketing it to ensure an appropriate value is obtained.

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

		2015	2014
R million	**Notes**	**Property**	**Property**
Opening balance		**116**	156
Additions		**3**	4
Disposals		**(44)**	(44)
Closing balance	10	**75**	116

35 LOANS AND RECEIVABLES DESIGNATED AT FAIR VALUE THROUGH PROFIT AND LOSS

Certain instruments designated at fair value through profit or loss also meet the definition for classification as loans and receivables in terms of IAS 39 i.e. unquoted debt instruments. The table below contains details on the change in credit risk attributable to these instruments.

	2015					
			Change in fair value			
			Of mitigating instruments		Due to credit risk	
R million	Carrying value	Mitigated credit risk*	Current period	Cumulative	Current period	Cumulative
Included in advances	**201 299**	**3 649**	**23**	**(1)**	**218**	**(2 025)**
Included in investment securities and other investments	**32 496**	**–**	**–**	**–**	**(237)**	**(318)**
Included in non-recourse investments	**16 329**	**–**	**–**	**–**	**–**	**–**
Total	**250 124**	**3 649**	**23**	**(1)**	**(19)**	**(2 343)**

	2014					
			Change in fair value			
			Of mitigating instruments		Due to credit risk	
R million	Carrying value	Mitigated credit risk*	Current period	Cumulative	Current period	Cumulative
Included in advances	183 711	2 573	–	(11)	524	(2 306)
Included in investment securities and other investments	14 557	–	–	–	(31)	(81)
Included in non-recourse investments	17 752	–	–	–	–	–
Total	216 020	2 573	–	(11)	493	(2 387)

* *The notional amount by which any credit derivatives or similar instruments mitigate the maximum exposure to credit risk. Losses are indicated with brackets.*

35 LOANS AND RECEIVABLES DESIGNATED AT FAIR VALUE THROUGH PROFIT AND LOSS continued

Different methods are used to determine the current period and cumulative changes in fair value attributable to credit risk for investment securities and advances. This is due to the differing inherent credit risk of these instruments.

The methods used are:

- **Advances**

  The change in credit risk is the difference between the fair value of advances based on the original credit spreads (as determined using the group's credit spread pricing matrix) and the fair value of advances based on the most recent credit spreads where there has been a change in the credit risk of the counterparty. The group uses its own annual credit review process to determine if there has been a change in the credit rating or LGD of the counterparty.

- **Investment securities and other investments**

  The change in fair value for investments designated at fair value through profit or loss is calculated by stripping out the movements that result from a change in market factors that give rise to market risk.

  The change in fair value due to credit risk is then calculated as the balancing figure, after deducting the movement due to market risk from the total movement in fair value.

36 FINANCIAL LIABILITIES DESIGNATED AT FAIR VALUE THROUGH PROFIT AND LOSS

	2015			
			Change in fair value due to credit risk	
R million	Fair value	Contractually payable at maturity	Current period	Cumulative
Deposits	**99 757**	**113 925**	**–**	**–**
Non-recourse deposits	**16 357**	**13 694**	**–**	**–**
Other liabilities	**3 348**	**3 267**	**–**	**–**
Tier 2 liabilities	**–**	**–**	**–**	**–**
Total	**119 462**	**130 886**	**–**	**–**

	2014			
			Change in fair value due to credit risk	
R million	Fair value	Contractually payable at maturity	Current period	Cumulative
Deposits	86 392	85 221	–	–
Non-recourse deposits	18 370	18 404	–	–
Other liabilities	3 505	3 485	–	–
Tier 2 liabilities	1 030	1 054	(8)	9
Total	109 297	108 164	(8)	9

Losses are indicated with brackets.

The current and cumulative change in fair value that is attributable to credit risk of financial liabilities designated at fair value through profit or loss is determined with reference to changes in the mark-to-market yields of own issued bonds.

37 TRANSFERS AND DERECOGNITION OF FINANCIAL ASSETS

In the normal course of business the group enters into transactions in terms of which it transfers financial assets directly to third parties or to structured entities. Financial assets are transferred when the group has either transferred its contractual right to receive cash flows from the financial asset, or it has assumed an obligation to pay over all the cash flows from the financial asset to another entity in such a way that the transaction meets the definition of a pass through arrangement in terms of IAS 39. Where the transfer of the financial asset qualifies for derecognition, these transfers may give rise to the partial or full derecognition of the financial asset concerned.

- No derecognition occurs when the group transfers financial assets in such a way that it retains substantially all the risks and rewards of ownership of the transferred asset. The entire transferred financial asset will continue to be recognised on the statement of financial position of the group. The majority of transferred financial assets of the group that do not qualify for derecognition are debt securities transferred under repurchase agreements or lent under securities lending agreements. Disclosures relating to these transferred financial assets that are not derecognised in their entirety are included under point 37.1 below.
- Partial derecognition occurs when the group transfers financial assets in such a way that it neither transfers nor retains substantially all the risks and rewards of ownership but still controls the transferred financial assets. These financial assets are recognised on the statement of financial position to the extent of the group's continuing involvement. This excludes the full derecognition of part of a larger financial asset as detailed below. Disclosures relating to these transferred financial assets that are partially derecognised are included under point 37.1 below.
- Full derecognition occurs when the group has transferred a financial asset and it either transfers substantially all the risks and rewards of ownership, or it neither retains nor transfers substantially all the risks and rewards of ownership but loses control of the financial asset. Where the financial asset qualifies for full derecognition, the group derecognises the entire transferred financial asset. The transfer may however result in the group obtaining a new asset or assuming a new liability that continues to expose the group to the derecognised financial asset (e.g. a servicing asset or liability). Full derecognition includes the derecognition of a specific and identifiable portion of a financial asset where all the risks and rewards of ownership of that part are transferred for e.g. 90% of all the cash flows or interest payments of a financial asset. This is not partial derecognition as detailed above. The majority of transferred financial assets of the group that qualify for full derecognition are outright sales and, loan syndications. Disclosures relating to the continuing involvement in derecognised financial assets to which the group is still exposed are included under point 37.2 below.

37 TRANSFERS AND DERECOGNITION OF FINANCIAL ASSETS continued

37.1 Transferred financial assets that are not derecognised in their entirety

Repurchase agreements

The group enters into repurchase agreements in terms of which the group sells investment securities to an external counterparty in exchange for cash and agrees to repurchase the investment securities at a specified price at a specified future date. The group retains substantially all the risks and rewards of ownership of the transferred investment securities in these transactions. The transferred investment securities continue to be recognised in full by the group (investment securities and other investments) and a financial liability (deposits) is recognised for the cash received. The counterparty's only recourse is to the transferred investment securities that are subject to the repurchase agreement. The group remains exposed to all the underlying risks on the repurchase agreements. The risks include counterparty, interest rate, currency, prepayment and other price risks.

Investment securities and other investments of the group with a carrying amount of R18 655 million (2014: R11 132 million) have been transferred in terms of repurchase transactions. Associated liabilities with a carrying amount of R17 893 million (2014: R10 509 million) have been recognised for cash received from counterparties and have been included in deposits. Both the transferred investments and related deposits are designated at fair value through profit or loss.

Securities lending transactions

The group enters into securities lending transactions in terms of which the group lends investment securities that it owns to external counterparties in exchange for cash collateral. The cash collateral is provided by the counterparty as security for the return of the securities. The investment securities that are lent, continue to be recognised in full as the group retains substantially all the risks and rewards of ownership of these investment securities and the derecognition criteria are not met. A financial liability is recognised for the cash collateral received from the counterparty. The group's only recourse in respect of the return of the securities it has lent is to the cash collateral held and as such, the group generally requires cash collateral in excess of the fair value of the securities lent. The group remains exposed to all the underlying risks of the transferred investment securities. The risks include counterparty, investment, equities price, currency and other price risks.

During the current and prior year, the group did not enter into any securities lending transactions in terms of which it lent securities recognised on its statement of financial position.

37.2 Transferred financial assets that are derecognised in their entirety

During the current and prior year, the group did not enter into any transactions in terms of which transferred financial assets were derecognised in their entirety and the group retained exposure to the transferred assets.

38 FAIR VALUE MEASUREMENTS

38.1 Valuation methodology

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

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

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

Recurring fair value measurements

Recurring fair value measurements are those for assets and liabilities that IFRS requires or permits to be recognised at fair value and are recognised in the statement of financial position at reporting date. This includes financial assets, financial liabilities and non-financial assets, including investment properties and commodities, that the group measures at fair value at the end of each reporting period.

FINANCIAL INSTRUMENTS

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

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

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

38 FAIR VALUE MEASUREMENTS continued

38.1 Valuation methodology continued

Non-financial assets

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

Non-recurring fair value measurements

Non-recurring fair value measurements are those triggered by particular circumstances and include the classification of assets and liabilities as non-current assets or disposal groups held for sale under IFRS 5 where fair value less costs to sell is the recoverable amount, *IFRS 3 Business Combinations* where assets and liabilities are measured at fair value at acquisition date; and *IAS 36 Impairments of Assets* where fair value less costs to sell is the recoverable amount. These fair value measurements are determined on a case by case basis as they occur within each reporting period.

Other fair value measurements

Other fair value measurements include assets and liabilities not measured at fair value but for which fair value disclosures are required under another IFRS e.g. financial instruments at amortised cost. The fair value for these items is determined by using observable quoted market prices where these are available, such as market prices quoted on BESA, or in accordance with generally acceptable pricing models such as a discounted cash flow analysis. Except for the amounts included under point 38.4 below, for all other financial instruments at amortised cost the carrying value is equal to or a reasonable approximation of the fair value.

38.2 Fair value hierarchy and measurements

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

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

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

38 FAIR VALUE MEASUREMENTS continued

38.2 Fair value hierarchy and measurements continued

Levels of fair value hierarchy

LEVEL 1

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

LEVEL 2

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

LEVEL 3

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

38 FAIR VALUE MEASUREMENTS continued

38.2 Fair value hierarchy and measurements continued

The table below sets out the valuation techniques applied by the group for recurring fair value measurements of assets and liabilities categorised as level 2 and level 3.

Instrument	Fair value hierarchy level	Valuation technique	Description of valuation technique and main assumptions	Observable inputs	Significant unobservable inputs of level 3 items
Derivative financial instruments					
Option contracts	Level 2 and level 3	Option pricing model	The Black Scholes model is used.	Strike price of the option; market-related discount rate; forward rate and cap and floor volatility	Volatilities
Futures contracts	Level 2	Discounted cash flows	Future cash flows are discounted using a market-related interest rate. Projected cash flows are obtained by subtracting the strike price of the future contract from the market projected future value.	Market interest rates and curves	Not applicable
Swaps	Level 2	Discounted cash flows	Future cash flows are projected using a forward curve and then discounted using a market-related discount curve over the contractual period. The reset date of each swaplet is determined in terms of legal documents pertaining to the swap.	Market interest rates and curves	Not applicable
Forward rate agreements	Level 2	Discounted cash flows	Future cash flows are projected using a forward curve and then discounted using a market-related discount curve over the contractual period. The reset date is determined in terms of legal documents.	Market interest rates and curves	Not applicable
Forward contracts	Level 2	Discounted cash flows	Future cash flows are projected using a forward curve and then discounted using a market-related discount curve over the contractual period. Projected cash flows are obtained by subtracting the strike price of the forward contract from the market projected forward value.	Market interest rates and curves	Not applicable
Credit derivatives	Level 2 and level 3	Discounted cash flows	Future cash flows are discounted using a market-related interest rate. Where prices are obtainable from the market, individual credit spreads are used.	Market interest rates and curves	Credit inputs
Commodity derivatives	Level 2	Discounted cash flows	Commodity-linked instruments are measured by taking into account the price, location differential, grade differential, silo differential and the discount factor of the most liquidly traded futures linked to the commodity.	Futures prices	Not applicable

38 FAIR VALUE MEASUREMENTS continued

38.2 Fair value hierarchy and measurements continued

Instrument	Fair value hierarchy level	Valuation technique	Description of valuation technique and main assumptions	Observable inputs	Significant unobservable inputs of level 3 items
Derivative financial instruments continued					
Equity derivatives	Level 2 and level 3	Industry standard models	The models calculate fair value based on input parameters such as stock prices, dividends, volatilities, interest rates, equity repo curves and, for multi-asset products, correlations. Unobservable model inputs are determined by reference to liquid market instruments and applying extrapolation techniques to match the appropriate risk profile.	Market interest rates and curves	Volatilities
Loans and advances to customers					
Investment banking book	Level 3	Discounted cash flows	The group has elected to designate the investment banking book of advances at fair value through profit or loss. Credit risk is not observable and could have a significant impact on the fair value measurement of these advances and as such, these advances are classified as level 3 on the fair value hierarchy. The future cash flows are discounted using a market-related interest rate. 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.	Market interest rates and curves	Credit inputs
Other loans and advances	Level 2 and level 3	Discounted cash flows	Future cash flows are discounted using a market-related interest rate adjusted for credit inputs, over the contractual period.	Market interest rates and curves	Credit inputs

38 FAIR VALUE MEASUREMENTS continued

38.2 Fair value hierarchy and measurements continued

Instrument	Fair value hierarchy level	Valuation technique	Description of valuation technique and main assumptions	Observable inputs	Significant unobservable inputs of level 3 items
Investment securities and other investments					
Equities/ bonds listed in an inactive market	Level 2 and level 3	Discounted cash flows	For listed equities and bonds, the listed price is used where the market is active (i.e. level 1). However, if the market is not active and the listed price is not representative of fair value, these are classified as level 2 or level 3 and a valuation technique is used, e.g. the discounted cash flow is used for listed bonds. This will be based on risk parameters of comparable securities and the potential pricing difference in spread and/or price terms with the traded comparable is considered. Future cash flows are discounted using a market related interest rate. Where the valuation technique incorporates unobservable inputs for credit risk, level 3 of the fair value hierarchy is deemed appropriate.	Market interest rates and curves	Credit inputs
Unlisted bonds	Level 2 and level 3	Discounted cash flows	Unlisted bonds are valued similarly to advances measured at fair value. Future cash flows are discounted using a market-related interest rate adjusted for credit inputs, over the contractual period.	Market interest rates and curves	Credit inputs
Unlisted equities	Level 2 and level 3	Price earnings (P/E) model	For unlisted equities, the earnings included in the model are derived from a combination of historical and budgeted earnings depending on the specific circumstances of the entity whose equity is being valued. The P/E multiple is derived from current market observations taking into account an appropriate discount for unlisted companies. The valuation of these instruments may be corroborated by a discounted cash flow valuation or by the observation of other market transactions that have taken place.	Market transactions	Growth rates and P/E ratios
Negotiable certificates of deposit	Level 2	Discounted cash flows	Future cash flows are discounted using a market-related interest rate. Inputs to these models include information that is consistent with similar market quoted instruments, where available.	Market interest rates and curves	Not applicable

38 FAIR VALUE MEASUREMENTS continued

38.2 Fair value hierarchy and measurements continued

Instrument	Fair value hierarchy level	Valuation technique	Description of valuation technique and main assumptions	Observable inputs	Significant unobservable inputs of level 3 items
Investment securities and other investments continued					
Treasury bills	Level 2	BESA bond pricing model	The BESA bond pricing model uses the BESA mark-to-market bond yield.	Market interest rates and curves	Not applicable
Non-recourse investments	Level 2	Discounted cash flows	Future cash flows are discounted using a discount rate which is determined as a base rate plus a spread. The base rate is determined by the legal agreements as either a bond or swap curve. The spread approximates the level of risk attached to the cash flows. When there is a change in the base rate in the market, the valuation is adjusted accordingly. The valuation model is calibrated to reflect transaction price at initial recognition.	Market interest rates and curves	Not applicable
Deposits					
Call and non-term deposits	Level 2	None – the undiscounted amount is used	The undiscounted amount of the deposit is the fair value due to the short-term nature of the instruments. These deposits are financial liabilities with a demand feature and the fair value is not less than the amount payable on demand, i.e. the undiscounted amount of the deposit.	None – the undiscounted amount approximates fair value and no valuation is performed	Not applicable
Non-recourse deposits	Level 2	Discounted cash flows	Fair value for interest rate and foreign exchange risk with no valuation adjustment for own credit risk. Valuation adjustments are affected for changes in the applicable credit ratings of the assets.	Market interest rates and foreign exchange rates; credit inputs	Not applicable
Deposits that represent collateral on credit linked notes	Level 3	Discounted cash flows	These deposits represent the collateral leg of credit linked notes. The forward curve adjusted for liquidity premiums and business unit margins is used. The valuation methodology does not take early withdrawals and other behavioural aspects into account.	Market interest rates and curves	Credit inputs on related advance

38 FAIR VALUE MEASUREMENTS continued

38.2 Fair value hierarchy and measurements continued

Instrument	Fair value hierarchy level	Valuation technique	Description of valuation technique and main assumptions	Observable inputs	Significant unobservable inputs of level 3 items
Deposits continued					
Other deposits	Level 2 and level 3	Discounted cash flows	The forward curve adjusted for liquidity premiums and business unit margins. The valuation methodology does not take early withdrawals and other behavioural aspects into account.	Market interest rates and curves	Credit inputs
Other liabilities and Tier 2 liabilities	Level 2	Discounted cash flows	The future cash flows are discounted using a market-related interest rate.	Market interest rates and curves	Not applicable
Investment properties	Level 2	Adjusted market prices	The fair value of investment properties is determined by obtaining a valuation from an independent professional valuer not related to the group. This fair value is based on observable market prices adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. Variables are obtained through surveys and comparable recent market transactions not publicly quoted. These valuations are reviewed annually by a combination of independent and internal valuation experts.	Market prices, rental capitalisation rates, current rentals obtained, remaining lease term and the specialised nature of the properties	Not applicable
Financial assets and liabilities not measured at fair value but for which fair value is disclosed	Level 2 and level 3	Discounted cash flows	The future cash flows are discounted using a market-related interest rate and curves adjusted for credit inputs.	Market interest rates and curves	Credit inputs

For non-recurring fair value measurements, the fair value hierarchy classification and valuation technique applied in determining fair value will depend on the underlying asset or liability being measured. Where the underlying assets or liabilities are those for which recurring fair value measurements are required as listed in the table above, the technique applied and the inputs into the models would be in line with those as set out in the table. Where the underlying assets or liabilities are not items for which recurring fair value measurements are required, for example property and equipment or intangible assets, the carrying value is considered to be equal to or a reasonable approximation of the fair value. This will be assessed per transaction and details will be provided in the relevant notes i.e. note 42 for IFRS 3 transactions, note 22 for IFRS 5 transactions and note 3.1 for impairments of assets where the recoverable amount in terms of IAS 36 is based on the fair value. During the current year the recoverable amount of certain associates and joint ventures was determined based on the fair value for the purpose of calculating impairments.

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

38 FAIR VALUE MEASUREMENTS continued

38.2 Fair value hierarchy and measurements continued

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

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

* *Although the fair value of credit is not significant year-on-year it may become significant in future. For this reason, together with the fact that the majority of South African counterparties do not have actively traded or observable credit spreads, the group has classified loans and advances to customers in level 3 of the fair value hierarchy. In the event that credit spreads are observable for a counterparty, loans and advances to customers are classified as level 2 of the fair value hierarchy.*

38 FAIR VALUE MEASUREMENTS continued

38.2 Fair value hierarchy and measurements continued

	2014			
R million	**Level 1**	**Level 2**	**Level 3**	**Total fair value**
Assets				
Recurring fair value measurements				
Derivative financial instruments	22	38 896	120	39 038
Advances*	–	31 923	151 810	183 733
Investment securities and other investments	57 601	38 106	3 958	99 665
Non-recourse investments	-	18 370	–	18 370
Commodities	7 904	–	–	7 904
Investment properties	–	419	–	419
Total assets measured at fair value	65 527	127 714	155 888	349 129
Liabilities				
Recurring fair value measurements				
Short trading positions	5 442	–	–	5 442
Derivative financial instruments	25	41 629	5	41 659
Deposits	125	84 940	1 327	86 392
Non-recourse deposits	–	18 370	–	18 370
Other liabilities	–	3 505	–	3 505
Tier 2 liabilities	–	1 030	–	1 030
Total liabilities measured at fair value	5 592	149 474	1 332	156 398

* *Although the fair value of credit is not significant year-on-year it may become significant in future. For this reason, together with the fact that the majority of South African counterparties do not have actively traded or observable credit spreads, the group has classified loans and advances to customers in level 3 of the fair value hierarchy. In the event that credit spreads are observable for a counterparty, loans and advances to customers are classified as level 2 of the fair value hierarchy.*

38 FAIR VALUE MEASUREMENTS continued

38.2 Fair value hierarchy and measurements continued

38.2.1 Transfers between fair value hierarchy levels

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

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

38 FAIR VALUE MEASUREMENTS continued

38.2 Fair value hierarchy and measurements continued

38.2.1 Transfers between fair value hierarchy levels continued

	2014		
R million	**Transfers in**	**Transfers out**	**Reasons for transfers in**
Level 1	35	–	Investment securities were transferred into level 1 and out of level 3 due to these investment securities listing on an exchange in an active market.
Level 2	150	(298)	Investment securities to the value of R150 million were transferred into level 2 and out of level 3 as these securities listed on an exchange. The market is not yet considered to be active for these investments and level 2 is considered to be appropriate.
Level 3	298	(185)	Investment securities to the value of R187 million and deposits to the value of R111 million were transferred into level 3 out of level 2 because the significant inputs in the fair value measurements became unobservable.
Total transfers	483	(483)	

38 FAIR VALUE MEASUREMENTS continued

38.3 Additional disclosures for level 3 financial instruments

38.3.1 Changes in level 3 instruments with recurring fair value measurements

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

	2015			
R million	**Fair value on 30 June 2014**	**Gains/ losses recognised in profit or loss**	**Gains/losses recognised in other comprehen-sive income**	
Assets				
Derivative financial instruments	**120**	**(35)**	**–**	
Advances	**151 810**	**7 123**	**–**	
Investment securities and other investments	**3 958**	**1 136**	**27**	
Total financial assets measured at fair value in level 3	**155 888**	**8 224**	**27**	
Liabilities				
Derivative financial instruments	**5**	**4**	**–**	
Deposits	**1 327**	**(13)**	**–**	
Total financial liabilities measured at fair value in level 3	**1 332**	**(9)**	**–**	

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.

2015					
Purchases, sales, issues and settlements	Acquisitions/ disposals of subsidiaries	Transfers into level 3	Transfers out of level 3	Exchange rate difference	Fair value on 30 June 2015
(15)	–	–	–	–	70
322	–	–	(6)	1 279	160 528
17 175	–	4 709	(2)	24	27 027
17 482	–	4 709	(8)	1 303	187 625
(4)	–	–	–	–	5
13	–	–	(56)	2	1 273
9	–	–	(56)	2	1 278

38 FAIR VALUE MEASUREMENTS continued

38.3 Additional disclosures for level 3 financial instruments continued

38.3.1 Changes in level 3 instruments with recurring fair value measurements continued

	2014		
R million	**Fair value on 30 June 2013**	**Gains/ losses recognised in profit or loss**	**Gains/losses recognised in other com- prehensive income**
Assets			
Derivative financial instruments	110	30	–
Advances	116 749	3 511	–
Investment securities and other investments	5 330	361	4
Total financial assets measured at fair value in level 3	122 189	3 902	4
Liabilities			
Derivative financial instruments	1	4	–
Deposits	1 517	59	–
Total financial liabilities measured at fair value in level 3	1 518	63	–

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.

	2014					
	Purchases, sales, issues and settlements	Acquisitions/ disposals of subsidiaries	Transfers into level 3	Transfers out of level 3	Exchange rate difference	Fair value on 30 June 2014
	(20)	–	–	–	–	120
	31 110	–	–	–	440	151 810
	(1 752)	–	187	(185)	13	3 958
	29 338	–	187	(185)	453	155 888
	–	–	–	–	–	5
	(383)	–	111	–	23	1 327
	(383)	–	111	–	23	1 332

38 FAIR VALUE MEASUREMENTS continued

38.3 Additional disclosures for level 3 financial instruments continued

38.3.2 Unrealised gains or losses on level 3 instruments with recurring fair value measurements

The group classifies assets or liabilities in level 3 of the fair value hierarchy when the significant inputs into the valuation model are not observable. In addition the valuation model for level 3 assets or liabilities typically also relies on a number of inputs that are readily observable either directly or indirectly. Thus, the gains and losses presented below include changes in the fair value related to both observable and unobservable inputs.

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

	2015		
R million	**Gains/losses recognised in the income statement**	**Gains/losses recognised in other comprehensive income**	**Total gains/losses**
Assets			
Derivative financial instruments	**24**	**–**	**24**
Advances*	**5 456**	**–**	**5 456**
Investment securities and other investments	**987**	**27**	**1 014**
Total	**6 467**	**27**	**6 494**
Liabilities			
Derivative financial instruments	**4**	**–**	**4**
Deposits	**(37)**	**–**	**(37)**
Total	**(33)**	**–**	**(33)**

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

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

38 FAIR VALUE MEASUREMENTS continued

38.3 Additional disclosures for level 3 financial instruments continued

38.3.2 Unrealised gains or losses on level 3 instruments with recurring fair value measurements continued

	2014		
R million	**Gains/losses recognised in the income statement**	**Gains/losses recognised in other comprehensive income**	**Total gains/losses**
Assets			
Derivative financial instruments	22	–	22
Advances*	3 039	–	3 039
Investment securities and other investments	287	(1)	286
Total	3 348	(1)	3 347
Liabilities			
Derivative financial instruments	4	–	4
Deposits	(23)	–	(23)
Total	(19)	–	(19)

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

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

38 FAIR VALUE MEASUREMENTS continued

38.3 Additional disclosures for level 3 financial instruments continued

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

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

R million	Significant unobservable inputs	Reasonably possible changes to significant unobservable inputs	
Assets			
Derivative financial instruments	Volatilities	Volatilities are increased and decreased by 10%.	
Advances	Credit	Credit migration matrix*	
Investment securities and other investments	Credit, growth rates and P/E ratios of unlisted investments	Unobservable inputs are increased and decreased by 10%	
Total financial assets measured at fair value in level 3			
Liabilities			
Derivative financial instruments	Volatilities	Volatilities are increased and decreased by 10%.	
Deposits	Credit risk of the cash collateral leg of credit linked notes	Credit migration matrix**	
Total financial liabilities measured at fair value in level 3			

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

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

	2015			2014		
	Reasonably possible alternative fair value			Reasonably possible alternative fair value		
	Fair value	Using more positive assumptions	Using more negative assumptions	Fair value	Using more positive assumptions	Using more negative assumptions
	70	**92**	**58**	120	175	107
	160 528	**161 601**	**158 170**	151 810	153 180	151 817
	27 027	**27 386**	**26 665**	3 958	4 381	3 540
	187 625	**189 079**	**184 893**	155 888	157 736	155 464
	5	**4**	**5**	5	5	5
	1 273	**1 146**	**1 401**	1 327	1 195	1 460
	1 278	**1 150**	**1 406**	1 332	1 200	1 465

38 FAIR VALUE MEASUREMENTS continued

38.4 Other fair value measurements

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

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

	2014				
R million	**Carrying value**	**Total Fair value**	**Level 1**	**Level 2**	**Level 3**
Assets					
Advances	502 195	505 747	–	72 581	433 166
Investment securities and other investments	1 072	1 070	–	729	341
Total financial assets at amortised cost	503 267	506 817	–	73 310	433 507
Liabilities					
Deposits	663 472	664 789	18 156	646 537	96
Other liabilities	3 075	2 850	–	975	1 875
Tier 2 liabilities	10 953	11 216	–	11 099	117
Total financial liabilities at amortised cost	677 500	678 855	18 156	658 611	2 088

38 FAIR VALUE MEASUREMENTS continued

38.5 Day 1 profit or loss

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

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

R million	2015	2014
Balance at 1 July	**20**	28
Amount recognised in profit or loss as a result of changes which would be observable by market participants	**(9)**	(8)
Balance at 30 June	**11**	20

39 FINANCIAL INSTRUMENTS SUBJECT TO OFFSETTING, MASTER NETTING ARRANGEMENTS AND SIMILAR AGREEMENTS

In accordance with IAS 32 the group offsets financial assets and financial liabilities and presents the net amount in the statement of financial position only if there is both a currently legally enforceable right to offset and there is an intention to settle the amounts on a net basis or to realise the asset and settle the liability simultaneously. Financial assets and financial liabilities subject to master netting arrangements (MNA) or similar agreements are not offset, if the right of set-off under these agreements is only enforceable in the event of default, insolvency and bankruptcy.

The tables below include information about financial assets and financial liabilities that are:

- offset and the net amount presented in the group's statement of financial position in accordance with the requirements of IAS 32; and
- subject to enforceable MNA or similar agreements where the amounts have not been offset because one or both of the requirements of IAS 32 are not met or the amounts relate to financial collateral (cash or non-cash) that mitigates credit risk.

	2015		
	Financial instruments subject to offsetting agreements, MNA and similar agreements		
	Amounts where offsetting is applied		
R million	Gross amount	Amounts set-off	Net amount reported in the statement of financial position*
Assets			
Derivatives	42 423	10 135	32 288
Reverse repurchase, securities borrowing and similar arrangements	44 890	12 400	32 490
Other advances	2 930	2 771	159
Total	90 243	25 306	64 937
Liabilities			
Derivatives	49 129	10 135	38 994
Repurchase, securities lending and similar arrangements	39 106	12 400	26 706
Other deposits	2 993	2 771	222
Total	91 228	25 306	65 922

* *The net amount reported on the statement of financial position represents the net amount of financial assets and financial liabilities where offsetting has been applied in terms of IAS 32 and financial instruments that are subject to MNA and similar agreements but no offsetting has been applied.*

** *The financial collateral included in the table above is limited to the net statement of financial position exposure in line with the requirements of IFRS 7 Financial Instruments: Disclosure and excludes the effect of any over-collateralisation. The amount of collateral included in the table for IFRS 7 disclosure purposes has been determined at a business unit level. If these limits were determined on a group wide level, the amount of collateral included in this table could increase.*

\# *The total amount reported on the statement of financial position is the sum of the net amount reported in the statement of financial position and the amount of financial instruments not subject to set-off or MNA.*

	2015				
	Financial instruments subject to offsetting agreements, MNA and similar agreements				
	Amounts where offsetting is not applied				
	Financial instruments subject to MNA and similar agreements	Financial collateral**	Net amount	Financial instruments not subject to set-off or MNA	Total statement of financial position#
	25 531	1 433	5 324	2 212	34 500
	849	31 641	–	8 363	40 853
	–	–	159	710 354	710 513
	26 380	33 074	5 483	720 929	785 866
	25 531	136	13 327	1 923	40 917
	849	25 857	–	8 462	35 168
	–	–	222	830 131	830 353
	26 380	25 993	13 549	840 516	906 438

39 FINANCIAL INSTRUMENTS SUBJECT TO OFFSETTING, MASTER NETTING ARRANGEMENTS AND SIMILAR AGREEMENTS continued

	2014		
	Financial instruments subject to offsetting agreements, MNA and similar agreements		
	Amounts where offsetting is applied		
R million	Gross amount	Amounts set-off	Net amount reported in the statement of financial position*
Assets			
Derivatives	42 909	7 990	34 919
Reverse repurchase, securities borrowing and similar arrangements	42 761	13 908	28 853
Other advances	2 163	2 163	–
Total	87 833	24 061	63 772
Liabilities			
Derivatives	44 887	7 990	36 897
Repurchase, securities lending and similar arrangements	34 120	13 908	20 212
Other deposits	2 471	2 163	308
Total	81 478	24 061	57 417

* *The net amount reported on the statement of financial position represents the net amount of financial assets and financial liabilities where offsetting has been applied in terms of IAS 32 and financial instruments that are subject to MNA and similar agreements but no offsetting has been applied.*

** *The financial collateral included in the table above is limited to the net statement of financial position exposure in line with the requirements of IFRS 7 and excludes the effect of any over-collateralisation. The amount of collateral included in the table for IFRS 7 disclosure purposes has been determined at a business unit level. If these limits were determined on a group wide level, the amount of collateral included in this table could increase.*

\# *The total amount reported on the statement of financial position is the sum of the net amount reported in the statement of financial position and the amount of financial instruments not subject to set-off or MNA.*

	2014				
	Financial instruments subject to offsetting agreements, MNA and similar agreements				
	Amounts where offsetting is not applied				
	Financial instruments subject to MNA and similar agreements	Financial collateral**	Net amount	Financial instruments not subject to set-off or MNA	Total statement of financial position#
	28 519	1 996	4 404	4 119	39 038
	202	28 651	–	4 458	33 311
	–	–	–	652 615	652 615
	28 721	30 647	4 404	661 192	724 964
	28 519	239	8 139	4 762	41 659
	202	20 010	–	7 804	28 016
	–	–	308	739 910	740 218
	28 721	20 249	8 447	752 476	809 893

39 FINANCIAL INSTRUMENTS SUBJECT TO OFFSETTING, MASTER NETTING ARRANGEMENTS AND SIMILAR AGREEMENTS continued

Details of the offsetting and collateral arrangements

Derivative assets and liabilities

The group's derivative transactions that are not transacted on an exchange are entered into under International Derivatives Swaps and Dealers Association (ISDA) MNA. Generally, under such agreements the amounts owed by each counterparty that are due on a single day in respect of all transactions outstanding in the same currency under the agreement are aggregated into a single net amount payable by one party to the other. In certain circumstances, e.g. when a credit event such as default occurs, all outstanding transactions under the agreement are terminated, the termination value is assessed and only a single net amount is due or payable in settlement of all transactions (close-out netting).

The group only offsets derivative financial assets and financial liabilities with a counterparty under ISDA agreements where the amounts are due on a single day and in the same currency. The group's intention to settle these transactions on a net basis is evidenced by a past practice of settling similar transactions on a net basis. The remaining financial assets and financial liabilities (where amounts are not due on a single day and in the same currency) transacted under an ISDA agreement do not meet IAS 32 requirements for offsetting. This is because they create a right of set-off that is only enforceable in the event of default, insolvency or bankruptcy of the group or the counterparties. However, these amounts are included in the table above under the financial instruments subject to MNA and similar agreements column.

Financial collateral (mostly cash) is also obtained, often daily, for the net exposure between counterparties to mitigate credit risk.

Repurchase, reverse repurchase and securities borrowing and lending transactions

The group's repurchase, reverse repurchase and securities borrowing and lending transactions are covered by master agreements with netting terms similar to those of the ISDA MNA. These financial assets and financial liabilities with the same counterparty are only set-off in the statement of financial position if they are due on a single day, denominated in the same currency and the group has the intention to settle these amounts on a net basis.

The group receives and accepts collateral for these transactions in the form of cash and other investments and investment securities.

Other advances and deposits

The advances and deposits that are offset relate to transactions where the group has a legally enforceable right to offset the amounts and the group has the intention to settle the net amount.

40 SEGMENT INFORMATION

40.1 Reportable segments

Set out below is information about the reportable segments of the FirstRand group, details of the various products and services provided by the franchises, their major customers and the basis of preparation of segment information. The group accounts for inter-segment transactions as if the transaction were with third parties.

FNB

FNB represents FirstRand's retail and commercial activities in South Africa and the broader African continent. FNB offers a diverse set of financial products and services to market segments including consumer, small business, agricultural, medium corporate, parastatals and government entities. FNB's products cover the entire spectrum of financial services – transactional, lending, investment and saving – and include mortgage loans, credit and debit cards, personal loans and investment products. Services include transactional and deposit-taking, card acquiring, credit facilities and FNB distribution channels (namely, the branch network, ATMs, call centres, cell phone and internet channels). FNB offers the full range of products and services through the FNB Africa subsidiaries in Namibia, Botswana, Lesotho, Swaziland, Zambia, Mozambique and Tanzania. FNB's primary segments are retail and commercial.

RMB

RMB is the corporate and investment banking arm of FirstRand and offers advisory, financing, trading, corporate banking and principal investing solutions. RMB has a deal footprint across more than 35 African countries and offices in Namibia, Botswana, Nigeria, Angola and Kenya, and also operates in the UK, India, China and the Middle East. RMB also offers its products and services through the FNB subsidiaries in Zambia, Tanzania, Lesotho, Swaziland and Mozambique. RMB's business units include global markets, investment banking, private equity and corporate banking.

WesBank

WesBank represents the group's activities in vehicle and asset finance in the retail, commercial and corporate segments operating primarily through alliances and JVs with leading motor manufacturers, suppliers and dealer groups where it has built up a strong point-of-sale presence. WesBank also manages a personal loans business, driven through the Direct Axis marketing origination channel in South Africa, and has a vehicle finance business in the UK, MotoNovo.

FCC and other

FCC represents key group-wide functions, including Group Treasury (capital, liquidity and financial resource management), group finance, group tax, enterprise risk management, regulatory risk management and group internal audit. FCC has a custodianship mandate which includes managing relationships on behalf of the group with key external stakeholders (e.g. shareholders, debt holders, regulators) and the ownership of key group strategic frameworks (e.g. performance measurement, risk/reward). Its objective is to ensure the group delivers on its commitments to stakeholders.

The results of Ashburton Investments Holdings Limited (Ashburton Investments), the group's recently-established investment management business, are also included in the FCC segment. Ashburton Investments offers focused traditional and alternative investment solutions to individual and institutional investors and combines established active fund management expertise with alternative investment solutions from product providers across the FirstRand group. The Ashburton brand therefore represents the group's investment management activities across the different franchises.

Ashburton Investments, the legal entity, includes the management activities within that legal entity, i.e. excluding the investment management activities that are included in the segment results of the other franchises. The results of Ashburton Investments have therefore been included in this reportable segment as these are not material on a legal entity basis.

FCC also includes the results of the FirstRand company and various other trusts that have been set up to facilitate the group's BEE schemes.

40 SEGMENT INFORMATION continued

40.1 Reportable segments continued

Major customers

In terms of *IFRS 8 Operating Segments* a customer is regarded as a major customer if the revenue from transactions with this customer exceeds 10% or more of the entity's revenue. The FirstRand group has no major customer as defined and is therefore not reliant on the revenue from one or more major customers.

Basis of preparation of segment information

The segmental analysis is based on the information reported to management for the respective segments and is based on the current franchise management structures. The information is prepared in terms of IFRS with the exception of normalisation adjustments and certain adjustments made to the segment results in order to eliminate the effect of non-taxable income and other segment specific items that impact certain key ratios reviewed by the chief operating decision maker when assessing the operating segments' performance.

The group believes that normalised earnings more accurately reflects its economic performance therefore IFRS earnings are adjusted to take into account headline earnings adjustments, non-operational items and accounting anomalies.

In order to ensure that the total segment results, assets and liabilities agree to the amounts reported in terms of IFRS, the aforementioned amounts are adjusted in the IFRS adjustments column.

Below is a description of the normalised adjustments made to IFRS earnings when preparing the normalised results.

40.2 Description of normalised adjustments

Consolidated private equity subsidiaries

In accordance with IFRS, operating costs of consolidated private equity subsidiaries are included in profit or loss as part of operating expenses. When calculating normalised results, these operating costs are reclassified to NIR, where income earned from these entities is included. This presentation of net income earned from consolidated private equity subsidiaries more accurately reflects the underlying economic substance of the group's relationship with these entities.

FirstRand shares held for client trading activities

The group invests in FirstRand shares to offset its exposure as a result of client trading positions. Depending on the nature of the client trading position and resulting risks, FirstRand shares may be held long or sold short by the group.

In terms of IAS 32 FirstRand shares held by the group are deemed to be treasury shares for accounting purposes. For the statement of financial position, the cost price of FirstRand shares held long is deducted from equity and the consideration received from selling FirstRand shares short is added back to equity. All gains and losses on FirstRand shares are reversed to profit or loss.

In addition, in terms of IAS 28 upstream and downstream profits are eliminated when equity accounting is applied, and, in terms of IAS 32, profits or losses cannot be recognised on an entity's own equity instruments. For the income statement, the group's portion of the fair value change in FirstRand shares is therefore deducted from equity-accounted earnings and the investment recognised using the equity-accounted method.

Changes in the fair value of FirstRand shares and dividends declared on these shares affect the fair value of client trading positions reflected in the statement of financial position, unless the client trading position is itself an equity instrument. The change in the fair value of client trading positions is recognised in profit or loss. However, because of the rules relating to treasury shares and the elimination of upstream and downstream profits, when equity accounting is applied the corresponding fair value changes (or the group's portion of the fair value changes) in the FirstRand shares held to match client trading positions are reversed or eliminated. This results in a mismatch in the overall equity and profit or loss of the group.

40 SEGMENT INFORMATION continued

40.2 Description of normalised adjustments continued

For purposes of calculating normalised results, the adjustments described above are reversed and FirstRand shares held for client trading positions are treated as issued to parties external to the group.

Where the client trading position is itself an equity instrument, then neither gains nor losses on client trading positions or FirstRand shares held to hedge these are reflected in profit or loss or on the statement of financial position.

Economic interest rate hedges

From time to time the group enters into economic interest rate hedging transactions, which do not qualify for hedge accounting in terms of the requirements of IFRS. When presenting normalised results, the group reclassifies fair value changes on these hedging instruments from NIR to NII to reflect the economic substance of these hedges.

Fair value annuity income – lending

The group accounts for the majority of its wholesale advances book within RMB on a fair value basis in terms of IFRS. As a result, the margin on these advances is reflected as part of NIR.

When calculating the normalised results, the group reclassifies the margin relating to the annuity fair value income earned on the RMB wholesale advances book from NIR to NII to reflect the economic substance of the income earned on these assets. The corresponding impairment charge is reallocated from NIR to impairment of advances. Fair value advances are adjusted to reflect the cumulative adjustment.

Credit-based investments included in advances

Certain corporate bonds and debt securities qualifying as HQLA and notes held in securitisation vehicles are classified as investments securities for IFRS purposes. The underlying nature and risk exposure of these assets is credit related and these assets were, therefore, reclassified from investment securities into advances.

US Dollar liquidity funding

The group raised additional dollar funding and liquidity during the current and previous two financial years. Following IFRS, certain currency translations and cost associated with these funding actions are reflected against NIR. From an economic perspective, these impacts form part of the inherent cost of the dollar funding pool and as such, have been reflected against NII on a normalised basis.

IAS 19 Remeasurement of plan assets

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

Realisations on the sale of private equity subsidiaries

In terms of *Circular 2/2013 Headline Earnings*, gains or losses from the sale of subsidiaries are excluded from headline earnings.

The circular includes specific industry rules. Rule 1 allows entities to include in headline earnings gains or losses associated with private equity investments that are associates or joint ventures, which form part of trading or operating activities. This exclusion, however, does not apply to gains or losses associated with private equity investments that are subsidiaries. The group includes gains or losses on the sale of private equity subsidiaries in normalised results to reflect the nature of these investments.

40 SEGMENT INFORMATION continued

40.2 Description of normalised adjustments continued

Cash-settled share-based payments and the economic hedge

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

In terms of IAS 39 the TRS is accounted for as a derivative instrument at fair value with the full fair value change recognised in NIR.

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

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

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

Equity-settled share-based payments and treasury shares: consolidation of staff share trusts

IFRS 2 requires that all share-based payment transactions for goods or services received must be expensed with effect from financial periods commencing on or after 1 January 2005.

In 2005 the group concluded a BEE transaction. As part of this transaction, rights were granted to the group's black South African employees and black non-executive directors. These rights are accounted for as expenses in accordance with IFRS 2. The group hedged itself against the price risk of the FirstRand share price inherent in these schemes by buying, in the open market, the FirstRand shares required to settle these schemes. These shares are held in various share trusts. In addition to the 2005 grants, the staff share trusts received MMI Holdings Limited (MMI) shares pursuant to the unbundling of MMI. These schemes all vested on 31 December 2014 and the staff received the FirstRand and MMI shares due to them.

IFRS 10 requires certain of these share trusts to be consolidated by the group. The FirstRand shares held by the staff share trusts were, therefore, treated as treasury shares. MMI shares held by the staff share trusts were treated as available-for-sale equity investments. On vesting all the assets and liabilities in the trusts were used in the vesting of the shares and the wind-up of the trusts.

From an IFRS perspective the following expenses are recognised for the period from 1 July 2014 until the vesting date:

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

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

- historically FirstRand shares held by staff share schemes were treated as issued to parties external to the group and loans to share trusts were recognised as external loans. As these trusts have now been unwound and the loans settled this adjustment is no longer required;
- the IFRS 2 expense is reversed; and
- the IAS 19 expense relating to the fair value movement in the MMI shares is reversed.

Headline earnings adjustments

All adjustments that are required by *Circular 2/2013 Headline Earnings* in calculating headline earnings are included in normalised earnings on a line-by-line basis based on the nature of the adjustment.

The description and amount of these adjustments are provided in the reconciliation between headline earnings and IFRS profit on page 304. These adjustments include the write back of impairment losses recognised on intangible assets and goodwill.

40 SEGMENT INFORMATION continued

40.3 Geographic segments

Refer to the reportable segment information for a description of the divisions.

Segment	Countries included	Franchises included
South Africa	South Africa	FNB RMB WesBank FCC (including Group Treasury)
Other Africa	Namibia Botswana Swaziland Mozambique Zambia Lesotho Tanzania Ghana Nigeria Mauritius	FNB RMB WesBank
United Kingdom	United Kingdom	FNB RMB WesBank FCC (including Group Treasury)
Australasia	Australia	RMB
Other	Asia (India, China) Middle East (U.A.E) North America South America	FNB RMB

The following significant exchange rates were used to convert the statement of financial position. Foreign denominated assets and liabilities are converted at the closing rate of exchange.

	2015	2014
GBP	**19.12**	18.17
EUR	**13.57**	14.55
USD	**12.14**	10.63
AUD	**9.35**	10.02
BRL	**3.90**	4.83
INR	**0.19**	0.18

40 SEGMENT INFORMATION continued

40.4 Reportable segments

R million	2015 FNB	2015 FNB Africa*
Net interest income before impairment of advances	18 633	3 068
Impairment of advances	(2 070)	(415)
Net interest income after impairment of advances	16 563	2 653
Non-interest revenue	18 593	2 723
Net income from operations	35 156	5 376
Operating expenses	(19 904)	(3 654)
Share of profit of associates after tax	18	1
Share of profit of joint ventures after tax	–	–
Income before tax	15 270	1 723
Indirect tax	(435)	(83)
Profit for the year before tax	14 835	1 640
Income tax expense	(4 154)	(551)
Profit for the year	10 681	1 089
The income statement includes:		
Depreciation	(1 211)	(160)
Amortisation	(2)	(9)
Net impairment	(4)	–
The statement of financial position includes:		
Investments in associates	246	4
Investments in joint ventures	–	–
Total assets	300 033	50 602
Total liabilities	285 544	50 053

* *Includes FNB's activities in India.*

** *Other was previously reported separately and has now been included in the FCC segment. The comparative amounts have been restated accordingly.*

Geographical segments

R million	2015 South Africa	Other Africa	United Kingdom	Australasia	Other	Total
Net interest income after impairment	26 095	3 132	1 171	(65)	138	30 471
Non-interest revenue*	34 786	3 725	14	136	299	38 960
Total assets	919 010	75 553	55 753	3 841	5 109	1 059 266
Non-current assets **	21 320	2 060	76	1 513	26	24 995
Total liabilities	835 084	64 781	55 348	2 853	2 596	960 662

* *Includes share of profit of associates and joint ventures after tax.*

** *Excludes financial instruments, accounts receivable, deferred income tax assets, post-employment benefit assets and rights arising under insurance contracts.*

2015					
RMB			FCC (including Group Treasury) and other**	Consoli-dation and IFRS adjustments	
Investment banking	Corporate banking	WesBank			Total
1 656	923	8 796	2 469	76	35 621
(312)	(112)	(2 539)	(27)	325	(5 150)
1 344	811	6 257	2 442	401	30 471
11 379	1 316	3 607	2 325	(2 522)	37 421
12 723	2 127	9 864	4 767	(2 121)	67 892
(6 647)	(1 423)	(5 344)	(2 934)	1 214	(38 692)
1 120	–	342	(3)	(393)	1 085
487	–	–	40	(73)	454
7 683	704	4 862	1 870	(1 373)	30 739
(93)	18	(239)	(52)	–	(884)
7 590	722	4 623	1 818	(1 373)	29 855
(2 125)	(202)	(1 294)	(509)	2 104	(6 731)
5 465	520	3 329	1 309	731	23 124
(206)	(5)	(481)	(30)	–	(2 093)
(16)	–	(70)	(5)	–	(102)
(14)	(2)	(128)	–	51	(97)
3 802	–	1 735	13	(19)	5 781
1 249	–	–	48	(15)	1 282
406 726	6 974	186 273	226 514	(117 856)	1 059 266
397 228	6 147	180 293	98 919	(57 522)	960 662

Reconciliation of profit for the year to normalised earnings

R million	2015
Profit for the year (per above)	23 124
NCNR preference shareholders	(310)
Non-controlling interest	(1 191)
Attributable earnings to ordinary equityholders	21 623
Headline earnings adjustments	(482)
Headline earnings to ordinary equityholders	21 141
Normalised adjustments	145
– TRS and IFRS 2 liability remeasurements	(34)
– IFRS 2 share-based payment expenses	75
– Treasury shares	25
– IAS 19 adjustment	(107)
– Private equity subsidiary realisations	186
Normalised earnings from continuing operations	21 286

40 SEGMENT INFORMATION continued

40.4 Reportable segments continued

R million	2014 FNB	FNB Africa*
Net interest income before impairment of advances	16 143	2 639
Impairment of advances	(2 082)	(331)
Net interest income after impairment of advances	14 061	2 308
Non-interest revenue	17 200	2 273
Net income from operations	31 261	4 581
Operating expenses	(17 998)	(3 068)
Share of profit of associates after tax	29	1
Share of profit of joint ventures after tax	–	–
Income before tax	13 292	1 514
Indirect tax	(487)	(65)
Profit for the year before tax	12 805	1 449
Income tax expense	(3 585)	(515)
Profit for the year	9 220	934
The income statement includes:		
Depreciation	(1 188)	(149)
Amortisation	(22)	(12)
Impairment charges	(27)	–
The statement of financial position includes:		
Investments in associates	241	4
Investments in joint ventures	–	–
Total assets	271 372	51 743
Total liabilities	259 852	49 360

* *Includes FNB's activities in India.*

** *Other was previously reported separately and has now been included in the FCC segment. The comparative amounts have been restated accordingly.*

Geographical segments

R million	2014 South Africa	Other Africa	United Kingdom	Australasia	Other	Total
Net interest income after impairment	20 928	2 982	588	47	81	24 626
Non-interest revenue*	32 205	3 093	1 094	206	479	37 077
Total assets	833 469	65 292	38 427	4 160	4 187	945 535
Non-current assets**	19 683	1 791	70	1 572	28	23 144
Total liabilities	757 431	56 672	38 111	2 863	2 241	857 318

* *Includes share of profit of associates and joint ventures after tax.*

** *Excludes financial instruments, accounts receivable, deferred income tax assets, post-employment benefit assets and rights arising under insurance contracts.*

2014					
RMB					
Investment banking	Corporate banking	WesBank	FCC (including Group Treasury) and other**	Consolidation and IFRS adjustments	Total
1 455	817	8 213	130	481	29 878
(177)	(32)	(2 081)	(98)	(451)	(5 252)
1 278	785	6 132	32	30	24 626
11 320	1 229	3 290	3 066	(2 228)	36 150
12 598	2 014	9 422	3 098	(2 198)	60 776
(6 620)	(1 432)	(5 072)	(2 520)	1 262	(35 448)
770	–	214	(6)	(338)	670
328	–	–	1	(72)	257
7 076	582	4 564	573	(1 346)	26 255
(69)	(25)	(253)	19	2	(878)
7 007	557	4 311	592	(1 344)	25 377
(1 962)	(156)	(1 208)	(270)	2 105	(5 591)
5 045	401	3 103	322	761	19 786
(216)	(7)	(434)	(47)	(1)	(2 042)
(15)	–	(44)	(4)	2	(95)
(125)	–	(12)	(42)	(117)	(323)
4 172	–	1 436	14	(20)	5 847
1 214	–	–	7	(16)	1 205
383 083	7 126	170 194	181 405	(119 388)	945 535
373 661	6 446	166 137	60 970	(59 108)	857 318

Reconciliation of profit for the year to normalised earnings

R million	2014
Profit for the year (per above)	19 786
NCNR preference shareholders	(288)
Non-controlling interests	(1 058)
Attributable earnings to ordinary equityholders	18 440
Headline earnings adjustments	231
Headline earnings to ordinary equityholders	18 671
Normalised adjustments	(8)
– TRS and IFRS 2 liability remeasurement	(198)
– IFRS 2 share-based payment expense	182
– Treasury shares	97
– IAS 19 adjustment	(104)
– Private equity subsidiary realisations	15
Normalised earnings from continuing operations	18 663

41 SUBSIDIARIES

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

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

- FirstRand Bank Limited (the bank) – This is the entity through which the group's banking operations are conducted. This entity has branches in India and London and representative offices in Angola and Kenya.
- FirstRand EMA Holdings Limited (FREMA) – This is the holding company for the group's operations in African and other emerging markets. This entity has investments in wholly owned subsidiaries in Lesotho, Swaziland, Tanzania, Zambia, Mauritius, Nigeria, and Ghana. The entity also has a controlling stake in FNB Namibia, FNB Botswana and FNB Mozambique.
- Ashburton Investments Holdings Limited (Ashburton) – The group conducts its asset management operations through Ashburton. The entity provides investment focused traditional and alternative investment solutions to individual and institutional investors and professional advisors.
- FirstRand Investment Holdings Proprietary Limited (FRIHL) – This entity is the holding company for the group's other non-banking activities. This entity holds controlling interests and significant influence in a number of entities that undertake non-banking financial services and other activities. Investments held by FRIHL include RentWorks, RMB private equity, and RMB stockbroking operations.
- FirstRand Insurance Holdings Proprietary Limited – This is the holding company for the group’s insurance activities. This entity has been established during the current financial year and will commence underwriting business.

With the exception of immaterial private equity subsidiaries that have a year end of less than three months different from the group, all subsidiaries in the group provide audited information about their financial position and results of operations at 30 June each year. This information is used to compile the consolidated financial statements. For insignificant private equity subsidiaries that have a year end that is less than three months different to that of the group the information in the latest audited financial statements is used to compile the consolidated financial statements.

The group's banking subsidiaries are required to deposit funds with the central bank of the country in which they operate. These funds are not available for use in the group's day-to-day operations and the group cannot access these funds. With the exception of the mandatory balances with central banks, there are no other significant restrictions on the ability to transfer cash or other assets to or from entities within the group. Refer to note 30 for details.

Refer to page 521 of the annual integrated report for additional information about the group structure.

42 ACQUISITION AND DISPOSAL OF SUBSIDIARIES

The group had the following acquisitions and disposals of subsidiaries during the current and prior years.

	2015				
Entity	**% acquired/ disposed of**	**Transaction date**	**Net asset value of subsidiary R million**	**Notes**	**Transaction details**
Acquisitions			Nil	42.1	There were no acquisitions of subsidiaries in the current year.
Disposals					
RMB private equity	Various	Various	188	42.2	The group disposed of various RMB private equity subsidiaries, none of which were individually material.
Other insignificant	Various	Various	(113)		The group entered into other individually insignificant disposal transactions which resulted in the group losing control over subsidiaries and no longer consolidating these entities.

	2014				
Entity	**% acquired/ disposed of**	**Transaction date**	**Net asset value of subsidiary R million**	**Notes**	**Transaction details**
Acquisitions					
RMB private equity	Various	Various	Nil	42.1	The group purchased various RMB private equity subsidiaries. The primary reason for these purchases is to expand the private equity portfolio of the group by obtaining control of the operations and management of those companies.
Disposals					
RMB private equity	Various	Various	50	42.2	The group disposed of various RMB private equity subsidiaries, none of which were individually material.
Other insignificant	Various	Various	3		The group entered into other individually insignificant disposal transactions which resulted in the group losing control over subsidiaries and no longer consolidating these entities.

42 ACQUISITION AND DISPOSAL OF SUBSIDIARIES continued

42.1 Acquisitions of subsidiaries

	2014	
R million	**Total**	**RMB private equity**
Total goodwill is calculated as follows:		
Total cash consideration transferred	15	15
Less: net identifiable asset value as at date of acquisition	–	–
Goodwill on acquisition	15	15
Cash flow information		
Discharged by cash consideration	15	15
Net cash outflow on acquisition of subsidiaries	15	15

42 ACQUISITION AND DISPOSAL OF SUBSIDIARIES continued

42.2 Disposals of subsidiaries

	2015		
R million	**Total**	**RMB private equity**	**Other insignificant disposals**
ASSETS			
Cash and cash equivalents/(overdrafts)	**(67)**	**(67)**	**–**
Accounts receivable	**279**	**279**	**–**
Advances	**573**	**573**	**–**
Investments in associates	**9**	**9**	**–**
Property and equipment	**74**	**28**	**46**
Intangible assets	**20**	**20**	**–**
Deferred income tax asset	**24**	**24**	**–**
Non-current assets and disposal groups held for sale	**152**	**87**	**65**
Total assets disposed of	**1 064**	**953**	**111**
LIABILITIES			
Creditors and accruals	**107**	**78**	**29**
Current tax liability	**1**	**1**	**–**
Employee liabilities	**3**	**3**	**–**
Other liabilities	**673**	**666**	**7**
Liabilities directly associated with disposal groups held for sale	**205**	**17**	**188**
Total liabilities disposed of	**989**	**765**	**224**
Net asset value as at date of disposal	**75**	**188**	**(113)**

42 ACQUISITION AND DISPOSAL OF SUBSIDIARIES continued

42.2 Disposals of subsidiaries continued

	2015		
R million	**Total**	**RMB private equity**	**Other insignificant disposals**
Total gain on disposal is calculated as follows:			
Total consideration received	**248**	**248**	**–**
Total cash consideration received	**247**	**247**	**–**
Total non-cash consideration received	**1**	**1**	**–**
Add: non-controlling share of net asset value at disposal date	**48**	**57**	**(9)**
Less: group's portion of the net asset value on disposal	**75**	**188**	**(113)**
Gain/(loss) on disposal of controlling interest in a subsidiary	**221**	**117**	**104**
Cash flow information			
Discharged by cash consideration	**247**	**247**	**–**
Less: cash and cash equivalents/(overdrafts) disposed of in the subsidiary	**(67)**	**(67)**	**–**
Net cash inflow on disposal of subsidiaries	**314**	**314**	**–**

42 ACQUISITION AND DISPOSAL OF SUBSIDIARIES continued

42.2 Disposals of subsidiaries continued

	2014		
R million	**Total**	**RMB private equity**	**Other insignificant disposals**
ASSETS			
Cash and cash equivalents	11	3	8
Accounts receivable	23	23	–
Advances	1	1	–
Investments in joint ventures	45	45	–
Property and equipment	20	20	–
Total assets disposed of	100	92	8
LIABILITIES			
Creditors and accruals	4	4	–
Current tax liability	7	7	–
Other liabilities	36	31	5
Total liabilities disposed of	47	42	5
Net asset value as at date of disposal	53	50	3
Total gain on disposal is calculated as follows:			
Total consideration received	38	38	–
Total cash consideration received	32	32	–
Total non-cash consideration received	6	6	–
Add: non-controlling share of net asset value at disposal date	33	31	2
Less: group's portion of the net asset value on disposal	53	50	3
Gain on disposal of controlling interest in a subsidiary	18	19	(1)
Cash flow information			
Discharged by cash consideration	32	32	–
Less: cash and cash equivalents disposed of in the subsidiary	11	3	8
Net cash inflow on disposal of subsidiaries	21	29	(8)

43 RELATED PARTIES

The group defines related parties as:

(i) Subsidiaries;

(ii) Associate companies;

(iii) Joint ventures;

(iv) Entities that have significant influence over the group. If an investor has significant influence over the group that investor and its subsidiaries are related parties of the group. The group is FirstRand Limited and its subsidiaries;

(v) Post-employment benefit funds (pension funds);

(vi) Key management personnel, being the FirstRand Limited board of directors and the FirstRand executive committee, including any entities which provide key management personnel services to the group;

(vii) Close family members of key management personnel (individual's spouse/domestic partner and children; domestic partner's children and dependants of individual or domestic partner); and

(viii) Entities controlled, jointly controlled or significantly influenced by an individual referred to in (vi) and (vii).

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

43.1 Subsidiaries

Details of investment in subsidiaries are disclosed in note 41. Transactions between the group and its subsidiaries have been eliminated on consolidation and are not disclosed in this note.

43.2 Associates and joint ventures

Details of investments in associates and joint venture companies are disclosed in note 14 and note 15.

During the year the group, in the ordinary course of business, entered into various transactions with associates and joint ventures on the same terms as those arranged with third parties.

43 RELATED PARTIES continued

43.3 Details of transactions with relevant related parties appear below

R million	2015 Groups that have significant influence over the group and their subsidiaries	2015 Associates	2015 Joint ventures
Advances			
Opening balance	1 488	7 159	5 739
Disposals of associates or joint ventures	–	(314)	–
Advanced during year	38	3 962	911
Repayments during year	(354)	(4 087)	(607)
Interest income	3	234	400
Exchange rate differences	–	(33)	–
Fair value movements during the year	99	253	98
Provision for impairment loss	–	(18)	(36)
Closing balance	1 274	7 156	6 505
Accounts receivable			
Opening balance	–	622	37
Raised during the year	–	225	13
Repayments during year	–	(395)	(13)
Closing balance	–	452	37
Derivative assets			
Notional amount	30	1 338	26 695
Fair value	1	17	213
Investment securities and other investments	–	1	–
Guarantees received	–	5	–
Deposits			
Opening balance	(4)	304	30
Disposals of associates or joint ventures	–	31	–
Received during year	176	2 283	1 989
Repayments during year	(3)	(2 316)	(56)
Interest expense	–	(3)	(1)
Closing balance	169	299	1 962

43 RELATED PARTIES continued

43.3 Details of transactions with relevant related parties appear below continued

	2015		
R million	**Groups that have significant influence over the group and their subsidiaries**	**Associates**	**Joint ventures**
Accounts payable			
Opening balance	**–**	**50**	**35**
Raised during the year	**2**	**231**	**(21)**
Repayments during year	**–**	**(226)**	**–**
Closing balance	**2**	**55**	**14**
Derivative liabilities			
Notional amount	**5**	**–**	**–**
Fair value	**–**	**(1)**	**–**
Commitments	**–**	**130**	**–**
Interest received	**–**	**227**	**361**
Interest paid	**–**	**(8)**	**(133)**
Non-interest revenue	**100**	**285**	**1 020**
Operating expenses	**(14)**	**(694)**	**(1)**
Dividends received	**–**	**96**	**210**

43 RELATED PARTIES continued

43.3 Details of transactions with relevant related parties appear below continued

	2014		
R million	**Groups that have significant influence over the group and their subsidiaries**	**Associates**	**Joint ventures**
Advances			
Opening balance	1 237	5 205	3 706
Disposal of associates and joint ventures	–	(288)	–
Advanced during year	310	3 887	1 900
Repayments during year	(161)	(2 102)	(159)
Interest income	–	330	246
Exchange rate differences	–	55	1
Fair value movements during the year	102	144	75
Provision for impairment loss	–	(72)	(30)
Closing balance	1 488	7 159	5 739
Accounts receivable			
Opening balance	–	415	38
Disposal of associates and joint ventures	–	611	65
Repayments during year	–	(404)	(66)
Closing balance	–	622	37
Derivative assets			
Notional amount	4	3 172	20 152
Fair value	–	47	82
Investment securities and other investments	–	–	–
Guarantees received	–	4	–
Deposits			
Opening balance	2	231	144
Disposal of associates or joint ventures	–	(87)	–
Received during year	165	1 189	149
Repaid during year	(171)	(1 024)	(263)
Interest expense	–	(5)	–
Closing balance	(4)	304	30

43 RELATED PARTIES continued

43.3 Details of transactions with relevant related parties appear below continued

	2014		
R million	**Groups that have significant influence over the group and their subsidiaries**	**Associates**	**Joint ventures**
Accounts payable			
Opening balance	–	66	50
Raised during the year	–	443	(18)
Repayments during year	–	(459)	3
Closing balance	–	50	35
Derivative liabilities			
Notional amount	1	–	–
Commitments	–	104	–
Interest received	–	336	245
Interest paid	–	3	52
Non-interest revenue	20	32	1 169
Operating expenses	–	546	57
Dividends received	83	145	38

43 RELATED PARTIES continued

43.4 Key management personnel

R million	2015	2014
Total advances		
Opening balance	**107**	47
Advanced during the year	**604**	225
Repayments during the year	**(600)**	(168)
Interest earned	**11**	3
Closing balance	**122**	107
The amounts advanced to key management personnel consist of mortgages, instalment finance agreements, credit cards and other loans.		
Total deposits		
Opening balance	**101**	128
Net deposits/(withdrawals)	**28**	(31)
Net interest and service cost	**(1)**	4
Closing balance	**128**	101
The amounts deposited by key management personnel are held in cheque and current accounts, savings accounts and other term accounts.		
Other fees		
Financial consulting fees and commissions	**7**	4
Rentals		
Periodically assets owned by related parties are rented to the group on normal commercial terms (less than R500 000)		
Key management compensation		
Salaries and other short-term benefits	**221**	197
Share-based payments	**211**	398
Total	**432**	595
Deferred compensation included in the above and payable in FirstRand shares in October 2016.	**63**	47*
Post-employment benefit plan		
Details of transactions between the group and the group's post-employment benefit plan are listed below:		
Dividend income	**8**	9
Deposits held with the group	**382**	367
Interest expenses	**21**	16
Investments under the co-investment schemes		
Opening balance	**42**	25
Withdrawals	**(17)**	(2)
Net investment return credited	**13**	19
Closing Balance	**38**	42

* *In the prior year the full portion of the deferred compensation was included (R279 million).*

44 STRUCTURED ENTITIES

The group uses structured entities in the ordinary course of business to support its own and customers' financing and investing needs.

Consolidated structured entities

The group assesses whether it has control over these structured entities in terms of IFRS 10. Where the group has control over a structured entity it is consolidated in terms of IFRS 10. Refer to note 45 for details on the assumptions applied.

Consolidated structured entities include securitisation vehicles, conduit vehicles and certain staff share trusts. For details on any financial or other support provided to the group's securitisation and conduit vehicles refer to the *risk and capital management report* of this integrated annual report and notes 11 and 13, respectively. For details on loans to the group's share trusts refer to note 31.

Other than the above the group has not provided any additional financial or other support to these entities in the current year. The group does not have the intention to provide additional support in the foreseeable future and as such is not exposed to any additional risks from the relationship with these entities.

Interests in unconsolidated structured entities

In addition to the controlled structured entities the group has financial interests in other structured entities that expose the group to the variable income of those entities without resulting in control. The table below sets out the nature of those relationships and the impact of those relationships on the financial position and performance of the group.

44 STRUCTURED ENTITIES continued

	BEE share trusts	Property finance transactions
Nature of the relationship	The group has established and provided financing to certain share trusts to enable them to acquire shares. The shares in these trusts are for the benefit of BEE participants and staff. The repayment of the funding is based on the performance of the underlying shares. The majority of these entities have been wound up and the distributions were made on 31 December 2014. For more details on the unwinding of these trusts, refer to note 31.	The group owns the ordinary shares in structured entities that own properties. These properties serve as security for the loans raised to acquire the properties. External parties hold a right to these shares for a fixed price at a future date. The group is therefore exposed to the variable income of the structured entity based on the value of the option compared to the value of the property in the entity.

Impact on statement of financial position of the group.

	2015		2014	
R million	**BEE share trusts**	**Property finance transactions**	**BEE share trusts**	**Property finance transactions**
Advances	**–**	**–**	244	–
Investments and other securities	**–**	**59**	942	119
Maximum exposure to loss	**–**	**59**	1186	119

During the prior year the group made a commitment to the FirstRand staff assistance trust to grant a R5 million overdraft. This overdraft was repaid on 31 December 2014. The group has not made any other commitments on behalf of these entities and has not provided any additional financial support to these entities in the current year. The group does not have the intention to provide additional support in the foreseeable future and as such is not exposed to any additional risks from the relationship with these entities.

The group has also provided letters of support to several external structured entities. None of these entities are consolidated by the group. However, a subsidiary of the group, FRIHL, does hold immaterial interests in some of these entities. In some cases the group receives fees for the liquidity facilities provided. During the current year the group received no fees for liquidity facilities provided to these entities nor were any assets transferred by the group to these sponsored entities.

45 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

In preparing the financial statements, the group makes estimates and assumptions that affect the reported amounts of assets and liabilities. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Unless stated otherwise the judgements applied by management in applying the accounting policies are consistent with the prior year.

45.1 Credit impairment losses on loans and advances

The group continuously assesses its credit portfolios for impairment. In determining whether an impairment loss should be recognised in the income statement, the group makes judgments as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a portfolio of loans.

(a) Performing loans

The impairment provision on the performing portfolio is split into two parts:

i. The first part consists of the portion of the performing portfolio where an incurred impairment event is inherent in a portfolio of performing advances but has not specifically been identified. An incurred but not reported (IBNR) provision is calculated on this subsegment of the portfolio, based on historical analysis of loss ratios, roll rates from performing status into non-performing status and similar risk indicators over an estimated loss emergence period.

Estimates of roll rates, loss ratios and similar risk indicators are based on analysis of internal and, where appropriate, external data. Estimates of the loss emergence period are made in the context of the nature and frequency of credit assessments performed, availability and frequency of updated data regarding customer creditworthiness and similar factors. Loss emergence periods differ from portfolio to portfolio, but typically range from 1 to 12 months.

ii. The second part consists of the portfolio specific impairment (PSI) to reflect the decrease in estimated future cash flows for the subsegment of the performing portfolio where there is objective evidence of impairment. The decrease in future cash flows is primarily estimated based on analysis of historical loss and recovery rates for comparable subsegments of the portfolio.

The assessment of whether objective evidence of impairment exists requires judgement and depends on the class of the financial asset. In the retail portfolios the account status, namely arrears versus non-arrears status, is taken as a primary indicator of an impairment event. In the commercial portfolios, other indicators such as the existence of high-risk accounts, based on internally assigned risk ratings and management judgements are used, while the wholesale portfolio assessment (which includes RMB investment banking and RMB corporate banking) portfolio includes a judgemental review of individual industries for objective signs of distress.

(b) Non-performing loans

Retail loans are individually impaired if three or more instalments are due or unpaid or if there is evidence before this that the customer is unlikely to repay his obligations in full. Commercial and wholesale loans are analysed on a case-by-case basis taking into account breaches of key loan conditions, excesses and similar risk indicators.

Management's estimates of future cash flows on individually impaired loans are based on internal historical loss experience, supplemented by analysis of comparable external data (for commercial and wholesale loans) for assets with similar credit risk characteristics. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

Refer to note 12 for a detailed analysis of the impairment of advances and the carrying amounts of the specific and portfolio provisions.

45 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES continued

45.2 Impairment of available-for-sale equity instruments

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

45.3 Income taxes

The group is subject to direct tax in a number of jurisdictions. There may be transactions and calculations for which the ultimate tax determination has an element of uncertainty during the ordinary course of business. The group recognises liabilities based on objective estimates of the amount of tax that may be due. Where the final tax determination is different from the amounts that were initially recorded, the difference will impact the income tax and deferred income tax provisions in the period in which such determination is made.

Refer to notes 4 and 21 for more information regarding the income tax expense and deferred income tax charges, assets and liabilities.

45.4 Impairment of goodwill

The recoverable amount of goodwill is tested annually for impairment in accordance with the stated accounting policy. The recoverable amount of the cash generating units (CGU) is the higher of the value in use or fair value less costs to sell. The value in use is calculated as the net present value of the discounted cash flows of the CGU. Details of the main assumptions applied in determining the net present value of the CGU are provided in note 17. Refer to note 38 for details on how the group determined fair value.

45.5 Employee benefit liabilities

The cost of the benefits and the present value of the defined benefit pension funds and post-employment medical obligations depend on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the charge to profit or loss arising from these obligations include the expected long-term rate of return on the relevant plan assets, discount rate and expected salary and pension increase rates. Any changes in these assumptions will impact the charge to profit or loss and may affect planned funding of the pension plans.

The assumptions related to the expected return on plan assets are determined on a uniform basis, considering long-term historical returns, asset allocation and future estimations of long-term investment returns. The group determines the appropriate discount rate at the end of each year, which represents the interest rate that should be used to determine the present value of the expected cash outflows required to settle the pension and post-employment medical obligations. In determining the appropriate discount rate, the group considers the interest rate on high quality corporate bonds and government bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating the terms of the related pension liability. The expected salary and pension increase rates are based on inflation rates, adjusted for salary scales and country specific conditions. The inflation rate used is a rate within the government's monetary policy target for inflation and is calculated as the difference between the yields on portfolios of fixed interest government bonds and a portfolio of index linked bonds of a similar term.

Additional information is provided in note 19.

45 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES continued

45.6 Subsidiaries and controlled structured entities

When assessing whether or not control exists the group considers all of the existing rights that it has as well as the existing rights that other investors have that result in the ability to direct the relevant activities of the investee. Only one party can have control over an investee, therefore, if another investor has substantive rights that give them the current ability to direct the relevant activities of the investee then the group cannot have control over the investee. When the group assesses its rights specific consideration is given to the group's holding of voting rights relative to the dispersion of holdings of other investors that hold voting rights. In instances where it is not immediately clear who has power over the investee, the group considers whether there is any evidence that it has the practical ability to direct the relevant activities of the investee unilaterally.

It is common business practice in many funding arrangements for the lender to have rights that allow it to restrict the borrower from undertaking activities that could significantly change its credit risk to the detriment of the lender. These rights are known as protective rights and are designed to protect the lender's interests and not to give the lender power over the relevant activities of the borrower. Where the group has lending arrangements that contain protective rights these protective rights are not considered to give the group the current ability to direct the relevant activities of the borrower.

The memorandum and articles of association or shareholders agreements for many companies include provisions that are designed to protect the rights of the non-controlling shareholders. These rights may require a certain percentage of votes to be received before certain decisions can be taken or may require the non-controlling interests to approve certain decisions. The purpose of these rights is to protect the interests of the non-controlling shareholders and to ensure that the controlling shareholders do not act in a manner that prejudices the non-controlling shareholders. These rights are protective in nature and do not give the non-controlling shareholders power over the relevant activities of the entity. Where the group is a non-controlling shareholder and has such rights, these rights alone are not considered sufficient to give the group power over the relevant activities of the investee.

When voting rights do not have a significant effect on the investee's returns the investee is considered to be a structured entity. When assessing whether the group has control over a structured entity specific consideration is given to the purpose and design of the structured entity and whether the group has power over decisions that relate to activities that the entity was designed to conduct.

When assessing whether the group has exposure or rights to variable returns and how variable those returns are the group considers the substance of the agreement regardless of the legal form of the returns. For example, depending on the terms of the agreement, preference shares that the group holds may give the group rights to fixed dividends similar to an interest return or may give the group the right to participate in the residual profits of the investee.

The group only considers substantive rights that it or other investors have in relation to an investee when assessing control. Substantive rights are those rights that the group or other investors have the practical ability to exercise. Rights held by the group in an agency capacity are not considered to be substantive rights. The group considers the relationship between itself and the other investors when assessing whether it is acting as an agent, including the rights that another investor may have to remove the group from the relationship, i.e. the ability that the other investors may have to replace the group as an agent.

45.7 Structured entities

The group sponsors the formation of structured entities primarily for the purpose of allowing clients to hold investments, for asset securitisation transactions and for buying and selling credit protection. The group consolidates structured entities that it controls in terms of IFRS 10 as is set out under note 45.6 above.

For information on structured entities and any financial or other support provided to these entities, refer to note 44.

45 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES continued

45.8 Investment funds

The group acts as fund manager to a number of investment funds. Determining whether the group controls such an investment fund usually focuses on the assessment of the aggregate economic interests of the group in the fund (comprising any direct interests in the fund and expected management fees) and the investor's right to remove the fund manager. If the investors are able to remove the group as fund manager by a simple majority and the group's aggregate interest is not deemed to be significant, the group does not consolidate the funds as it is merely acting as an agent for the investors. Where such funds are consolidated, judgement is applied in determining if the non-controlling interests in the funds are classified as equity or financial liabilities. Where the external investors have the right to put their investments back to the fund, these non-controlling interests do not meet the definition of equity and are classified as financial liabilities.

Where the group does not consolidate a fund but has significant influence over the fund, the group accounts for its interest in the fund as an investment in associate and applies equity accounting to the investment. Significant influence over a fund is considered to be present where the group has a direct interest in the fund and there is an irrevocable fund management agreement.

45.9 Associates

The group is presumed to have significant influence over an investee if it owns more than 20% of the voting rights and does not have control or joint control.

Significant influence may also arise from rights other than voting rights. These rights include, but are not limited to, the ability to appoint key management personnel and the ability to participate in the decision making processes of the investee.

The group considers both the rights that it has as well as currently exercisable rights that other investors have when assessing whether it has the practical ability to significantly influence the relevant activities of the investee.

45.10 Joint arrangements

The group has joint control over an arrangement when the contractual agreements that establish the arrangement require unanimous consent of all parties sharing control for decisions that relate to directing the relevant activities of the arrangement. The group considers all contractual provisions, explicit and implicit, when assessing whether joint control over the arrangement exists. An example of an implicit provision indicating joint control may be where an entity is established with two 50% shareholders and a 51% majority is required for decisions that relate to the relevant activities of the entity. In that case, although unanimous consent may not explicitly be mentioned in the contracts, it is implicit that both shareholders must agree on decisions that relate to the relevant activities of the entity and joint control implicitly exists in the contract.

The group distinguishes protective rights afforded to debt financiers or non-controlling shareholders from the requirement for unanimous consent by looking at the substance of the contractual agreements. The contractual agreements that establish a joint arrangement may contain clauses which provide for the manner in which disputes are handled and arbitration dealt with. These clauses are designed to protect the parties sharing control in the event that unanimous consent cannot be reached and do not prevent an arrangement from being jointly controlled.

The group classifies joint arrangements as either joint operations or joint ventures based on the substance of the arrangement and the group's rights and obligations arising from the joint arrangement. When the group has rights to the assets and assumes responsibility for the liabilities relating to the arrangement the group classifies the arrangement as a joint operation. When the group has rights to the net assets of the arrangement it is classified as a joint venture.

If the joint arrangement is not structured through a separate legal entity it is classified as a joint operation. When the joint arrangement is structured through a separate legal entity it is classified as a joint venture if the separate legal entity acquires assets in its own name and incurs obligations in its own name. If the group has ownership rights in respect of assets acquired by the separate legal entity or has the obligation to settle the liabilities of the separate legal entity in its own name, the joint arrangement is classified as a joint operation.

45 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES continued

45.11 Revenue recognition

Management applies judgement to determine whether the group acts as a principal or agent in certain revenue generating transactions. If the group acts as an agent, the gross economic benefits include amounts collected on behalf of the principal and do not result in increases in the equity of the group. The amount collected on behalf of the principal is not recognised as the revenue of the group, instead the group recognises the fee or commission that it earns while acting as an agent as non-interest revenue.

An entity is acting as a principal when it has exposure to the significant risks and rewards associated with selling the goods or providing the services. The group considers the following as indicators when assessing whether the group is acting as a principal in a transaction:

- group has the primary responsibility of providing the goods or services;
- group carries the inventory risk;
- group has the ability to establish the price, either directly or indirectly; and
- group bears the customer's credit risk.

46 STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

The group will comply with the following new standards and interpretations from the stated effective date:

		Effective date
IAS 1 (amended)	**Amendments to *IAS 1 Presentation of Financial Statements* under the Disclosure Initiative** Various narrow-scope amendments were made to IAS 1 relating to the presentation in the annual financial statements. This included clarifications of the application of materiality and aggregation, guidance on the minimum line items to be presented on the statement of financial position, income statement and statement of other comprehensive income and the structure and order of the notes to the financial statements. These amendments are not expected to have an impact on the group as they have merely clarified existing requirements of the standard relating to presentation.	Annual periods commencing on or after 1 January 2016
IAS 16 (amended)	**Property, Plant and Equipment – Depreciation method** *IAS 16 Property, Plant and Equipment* was amended to clarify that a depreciation method that is based on revenue generated by an activity is not an appropriate method. This is because such a method reflects the pattern of the generation of economic benefits that arise from the operation of the business of which an asset is part, rather than the pattern of consumption of an asset's expected future economic benefits. The amendment is not expected to have an impact on the group as the group does not apply a revenue-based depreciation approach.	Annual periods commencing on or after 1 January 2016
IAS 16 and IAS 41 (amended)	**Bearer plants – Amendments to Property, Plant and Equipment and Agriculture** The amendment changes the financial reporting for bearer plants and indicates that bearer plants should be accounted for in the same way as property, plant and equipment because these operations are similar to that of manufacturing. Consequently, the amendment includes bearer plants within the scope of IAS 16, instead of *IAS 41 Agriculture*. The produce growing on bearer plants will remain within the scope of IAS 41. The amendment falls outside the scope of the group's operations and will have no impact on the group.	Annual periods commencing on or after 1 January 2016
IAS 27 (amended)	**Equity method in Separate Financial Statements** The amendment permits investments in subsidiaries, associates and joint ventures to be accounted for using the equity method in the separate annual financial statements of the investor. This will not have an impact on the group's consolidated financial statements as the amendment applies to separate financial statements.	Annual periods commencing on or after 1 January 2016

46 STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE continued

		Effective date
IFRS 10 and IAS 28 (amended)	**Sale or Contribution of Assets between an Investor and its Associate or Joint Venture** The amendment clarifies the treatment of the sale or contribution of assets from an investor to its associate or joint venture. The amendment requires: • full recognition in the investor's financial statements of the gains or losses arising on the sale or contribution of assets that constitute a business (as defined in IFRS 3); and • the partial recognition of gains or losses where the assets do not constitute a business, i.e. a gain or loss is recognised only to the extent of the unrelated investors' share in that associate or joint venture. These requirements apply regardless of the legal form of the transaction, e.g. whether the sale or contribution of assets occurs by an investor transferring shares in a subsidiary that holds the assets (resulting in loss of control of the subsidiary), or by the direct sale of the assets themselves. The amendments are applicable prospectively and the group will assess the impact of the amendment on each transaction as and when they occur.	Annual periods commencing on or after 1 January 2016
IAS 38 (amended)	**Intangible Assets – Amortisation Method** *IAS 38 Intangible Assets* is amended to introduce a rebuttable presumption that a revenue-based amortisation method for intangible assets is inappropriate for the same reasons as in IAS 16. There are limited circumstances when the presumption can be overcome. The amendment is not expected to have an impact on the group as it does not apply a revenue-based amortisation approach.	Annual periods commencing on or after 1 January 2016
IFRS 9	**Financial Instruments** *IFRS 9 Financial Instruments* was issued on 24 July 2014. The final version of the standard incorporates amendments to the classification and measurement guidance as well as accounting requirements for impairment of financial assets measured at amortised cost. These elements of the final standard are discussed in detail below: • The classification and measurement of financial instruments under IFRS 9 is based on both the business model and the rationale for holding the instruments as well as the contractual characteristics of the instruments. • Impairments in terms of IFRS 9 will be determined based on an expected loss model that considers the significant changes to the asset's credit risk and the expected loss that will arise in the event of default. • IFRS 9 allows financial liabilities not held for trading to be measured at either amortised cost or fair value. If fair value is elected then changes in the fair value as a result of changes in own credit risk should be recognised in other comprehensive income.	Annual periods commencing on or after 1 January 2018.

46 STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE continued

		Effective date
IFRS 9 continued	**Financial Instruments** continued - The hedge accounting requirements under IFRS 9 are closely aligned with how entities undertake risk management activities when hedging financial and non-financial risk exposures. Hedge effectiveness will now be proved based on management's risk management objectives rather than the 80%-125% band that was previously stipulated. IFRS 9 also allows for rebalancing of the hedge and the deferral of costs of hedging. The group has initiated a process to determine the impact of the standard on the group's statement of financial position and performance. Until the process has been completed the group is unable to quantify the expected impact.	Annual periods commencing on or after 1 January 2018.
IFRS 10, IFRS 12 and IAS 28 (amended)	**Investment Entities: Applying the Consolidation Exception** The amendments introduce clarifications to the requirements when applying the consolidation exemption for entities that meet the definition of an investment entity. The amendments will not impact the group as neither the group nor its subsidiaries meet the definition of an investment entity.	Annual periods commencing on or after 1 January 2016
IFRS 11 (amended)	**Joint Arrangements** The IASB has issued an amendment to *IFRS 11 Joint Arrangements* to provide guidance on the accounting for acquisitions of interests in joint operations that constitutes a business. The amendment indicates that the acquirer of an interest in a joint operation, in which the activity constitutes a business in terms of IFRS 3, is required to apply all the principles on business combinations accounting in IFRS 3. The amendment is not expected to have an impact on the group as the group does not have any interests in joint operations.	Annual periods commencing on or after 1 January 2016
IFRS 14	**Regulatory Deferral Accounts** *IFRS 14 Regulatory Deferral Accounts* permits an entity which is a first-time adopter of IFRS to continue to account, with some limited changes, for regulatory deferral account balances in accordance with its previous GAAP, both on initial adoption of IFRS and in subsequent financial statements. The standard falls outside the scope of the group's operations and will have no impact on the results.	Annual periods commencing on or after 1 January 2016

46 STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE continued

		Effective date
IFRS 15	**Revenue** *IFRS 15 Revenue from Contracts with Customers* provides a single, principle based model to be applied to all contracts with customers. The core principle of IFRS 15 is that an entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The new standard will also provide guidance for transactions that were not previously comprehensively addressed and improve guidance for multiple-element arrangements. The standard also introduces enhanced disclosures about revenue. The group is in the process of assessing the impact that IFRS 15 will have on the financial statements. Until the process has been completed, the group is unable to determine the significance of the impact.	Annual periods commencing on or after 1 January 2018.
Annual Improvements	**Improvements to IFRS** The IASB issued the *Annual Improvements 2012 – 2014 Cycle*. The annual improvements project includes amendments to the following standards, *IFRS 1 First-time Adoption of International Financial Reporting Standards*, IFRS 5, IFRS 7, IAS 19 and *IAS 34: Interim Financial Reporting*. The annual improvement project's aim is to clarify and improve accounting standards. The amendments have been assessed and are not expected to have a significant impact on the group.	Annual periods commencing on or after 1 January 2016

47 EVENTS AFTER REPORTING PERIOD

Non-adjusting event

Direct Axis SA

WesInvest Holdings Proprietary Limited, a wholly owned subsidiary of FirstRand Investment Holdings Proprietary Limited, has acquired the non-controlling interests in Direct Axis SA Proprietary Limited on 1 July 2015 for a total consideration of R1.335 billion. The transaction has resulted in Direct Axis moving from a partly owned subsidiary to a wholly owned subsidiary of WesInvest Holdings and R1 billion economic goodwill will be recognised directly in equity by WesInvest as the transaction occurs between entities in their capacity as owners of the subsidiary.

Motorite and SMART

FirstRand's asset finance business WesBank has, together with the Hollard Insurance Company, formed a new holding company, where FirstRand, through its WesBank division, will be the majority shareholder with 81.1% shareholding. The new holding company will acquire two entities, namely Motorite and SMART. Motorite offers a variety of vehicle warranty and maintenance products, while SMART specialises in body repair cover and offers paint and dent protection policies. By combining resources it is envisaged that going forward WesBank will be in a very strong position to provide innovative and competitively priced solutions for customers. All regulatory approvals are expected to be received in September 2015.

Discovery

During the 2016 financial year Discovery Limited (Discovery) will subscribe for preference shares in FirstRand Bank Limited in the amount of R1.35 billion and increase its participation in DiscoveryCard to 74.99% with FirstRand retaining 25.01%. It is intended that in time, the arrangement will be expanded to a broader product suite with the same profit share. DiscoveryCard made a profit before tax of approximately R320 million for the year ending 30 June 2015 and net advances totalled R3.7 billion.

Other subsequent events

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

48 RISK DISCLOSURE

The risk disclosure has been disclosed as part of the risk and capital management report. Refer to page 139 to 274. Audited sections are marked as such.

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FIRSTRAND COMPANY ANNUAL FINANCIAL STATEMENTS

STATEMENT OF COMPREHENSIVE INCOME

for the year ended 30 June

R million	Notes	2015	2014
Interest and similar income	2	**66**	17
Interest expense and similar charges	2	**(2)**	*
Net interest income		**64**	17
Non-interest revenue	3	**14 742**	8 713
Income from operations		**14 806**	8 730
Operating expenses	4	**(190)**	(150)
Income before tax		**14 616**	8 580
Indirect tax	5.1	**(10)**	(3)
Profit before tax		**14 606**	8 577
Income tax expense	5.2	**(18)**	(8)
Profit for the year		**14 588**	8 569
Other comprehensive income		**–**	–
Total comprehensive income for the year		**14 588**	8 569
Attributable to			
Ordinary equityholders of the company		**14 278**	8 281
NCNR preference shareholders		**310**	288
Total comprehensive income for the year		**14 588**	8 569

** Less than R500 000.*

STATEMENT OF FINANCIAL POSITION
as at 30 June 2014

R million	Notes	2015	2014
ASSETS			
Cash and cash equivalents	7	**61**	55
Accounts receivable	8	**1**	1
Investment in subsidiaries	9	**58 314**	56 188
Total assets		**58 376**	56 244
EQUITY AND LIABILITIES			
Liabilities			
Creditors and accruals	10	**85**	58
Provisions	11	**7**	8
Current tax liability		**3**	5
Employee liabilities	12	**153**	85
Total liabilities		**248**	156
Equity			
Ordinary shares	14	**56**	56
Share premium	14	**8 056**	7 082
Reserves		**45 497**	44 431
Capital and reserves attributable to ordinary equityholders		**53 609**	51 569
NCNR preference shareholders	14	**4 519**	4 519
Total equity		**58 128**	56 088
Total equity and liabilities		**58 376**	56 244

STATEMENT OF CHANGES IN EQUITY

for the year ended 30 June

	Ordinary share capital and ordinary equityholders' funds		
R million	**Share capital**	**Share premium**	**Share capital and share premium**
Balance as at 1 July 2013	56	7 082	**7 138**
Issue of share capital	–	–	**–**
Buyback of share capital	–	–	**–**
Total comprehensive income for the year	–	–	**–**
Ordinary dividends	–	–	**–**
Preference dividends	–	–	**–**
Movement on other reserves	–	–	**–**
Vesting of share–based payments	–	–	**–**
Balance as at 30 June 2014	56	7 082	**7 138**
Issue of share capital	*	1 611	**1 611**
Proceeds from the issue of shares	–	1 629	**1 629**
Share issue expenses	–	(18)	**(18)**
Buyback of share capital	*	(637)	**(637)**
Total comprehensive income for the year	–	–	**–**
Ordinary dividends	–	–	**–**
Preference dividends	–	–	**–**
Movement on other reserves	–	–	**–**
Vesting of share–based payments	–	–	**–**
Balance as at 30 June 2015	56	8 056	**8 112**

* *Less than R500 000.*

Ordinary share capital and ordinary equityholders' funds					
Share-based payment reserve	Capital redemption reserve	Retained earnings	Reserves attributable to ordinary equityholders	NCNR preference shareholders	Total equity
2 054	1	42 991	45 046	4 519	56 703
–	–	–	–	–	–
–	–	–	–	–	–
–	–	8 281	8 281	288	8 569
–	–	(8 908)	(8 908)	–	(8 908)
–	–	–	–	(288)	(288)
29	–	(17)	12	–	12
–	–	–	–	–	–
2 083	1	42 347	44 431	4 519	56 088
–	–	–	–	–	1 611
–	–	–	–	–	1 629
–	–	–	–	–	(18)
–	–	–	–	–	(637)
–	–	14 278	14 278	310	14 588
–	–	(13 173)	(13 173)	–	(13 173)
–	–	–	–	(310)	(310)
20	–	–	20	–	20
(2 103)	–	2 044	(59)	–	(59)
–	1	45 496	45 497	4 519	58 128

STATEMENT OF CASH FLOWS
for the year ended 30 June

R million	Notes	2015	2014
Cash flows from operating activities			
Cash generated by operations	15.1	**(47)**	(44)
Working capital changes	15.2	**(16)**	(43)
Net cash flows from operating activities		**(63)**	(87)
Interest received		**66**	17
Interest paid		**(2)**	*
Cash paid to employees		**(59)**	(17)
Taxation paid	15.3	**(30)**	(20)
Dividends received		**14 711**	8 687
Dividends paid	15.4	**(13 483)**	(9 196)
Net cash generated from operating activities		**1 140**	(616)
Cash flow from investing activities			
Increase in investments in subsidiaries		**(1 956)**	(869)
Net cash (increase)/decrease in loans to subsidiaries		**(152)**	1 490
Net cash (outflow)/inflow from investing activities		**(2 108)**	621
Cash flow from financing activities			
Proceeds from the issue of ordinary shares		**974**	–
– Shares issued		**1 611**	–
– Shares bought back		**(637)**	–
Net cash inflow from financing activities		**974**	–
Net cash increase in cash and cash equivalents		**6**	5
Cash and cash equivalents at the beginning of the year		**55**	50
Cash and cash equivalents at the end of the year		**61**	55

* *Less than R500 000.*

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 30 June

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The annual financial statements of FirstRand Limited are prepared according to the same accounting policies used in preparing the consolidated financial statements of the group other than accounting policy 3 which deals with consolidated financial statements. For detailed accounting policies refer to pages 276 to 296 of the 2015 annual integrated report.

2 INTEREST INCOME AND EXPENSE

	2015		
R million	**Amortised cost**	**Non-financial assets and liabilities**	**Total**
Interest and similar income			
Cash and cash equivalents	**65**	**–**	**65**
Interest on accounts receivable	**1**	**–**	**1**
Interest and similar income	**66**	**–**	**66**
Interest expense and similar charges			
Borrowed funds	**(2)**	**–**	**(2)**
Interest expense and similar charges	**(2)**	**–**	**(2)**

	2014		
R million	**Amortised cost**	**Non-financial assets and liabilities**	**Total**
Interest and similar income			
Cash and cash equivalents	16	–	16
Interest on accounts receivable	1	–	1
Interest and similar income	17	–	17
Interest expense and similar charges			
Borrowed funds	–	*	*
Interest expense and similar charges	–	*	*

** Less than R500 000.*

3 NON-INTEREST REVENUE

R million	2015	2014
Fees from subsidiaries	**28**	24
Other fees	**3**	2
Total fees and commission income	**31**	26
Gains less losses from investment activities		
Dividends received from subsidiaries – unlisted shares		
Ordinary dividends	**14 344**	8 495
Preference dividends	**367**	192
Dividends received from listed shares	*	*
Fair value income on listed shares	*	*
Total gains less losses from investment activities	**14 711**	8 687
Total non-interest revenue**	**14 742**	8 713

* *Less than R500 000.*
** *Non-interest revenue relates to non-financial instruments.*

4 OPERATING EXPENSES

R million	Notes	2015	2014
Audit fees	11	**1**	–
Directors remuneration*		**(28)**	(24)
Direct staff costs		**(139)**	(99)
– Salaries, wages and allowances		**(48)**	(48)
– Contributions to employee benefit funds		**(3)**	(3)
– Share-based payment expense	12	**(87)**	(47)
– Social security levies		**(1)**	(1)
Travel		**(3)**	(3)
Operating lease charges		**(2)**	(2)
– Property		**(2)**	(1)
– Furniture and equipment		**–**	(1)
Professional fees		**(2)**	(2)
Registrar fees		**(1)**	(2)
Stock exchange fees		**(2)**	(1)
Corporate memberships		**(1)**	(5)
Other		**(13)**	(12)
Total operating expenses		**(190)**	(150)

* *Disclosed in the corporate governance report.*

5 INDIRECT AND INCOME TAX EXPENSE

R million	2015	2014
5.1 Indirect tax		
Value added tax	**(2)**	(3)
Securities transfer tax	**(8)**	–
Total indirect tax	**(10)**	(3)
5.2 Income tax expense		
South African income tax		
Normal tax – current year	**(18)**	(8)
Total income tax expense	**(18)**	(8)

Tax rate reconciliation – South African normal tax

%	2015	2014
Standard rate of income tax	**28**	28
Total tax has been affected by:		
Dividends received	**(28)**	(28)
Effective rate of tax*	**–**	–

* *Less than 0.5%.*

6 ANALYSIS OF ASSETS AND LIABILITIES BY CATEGORY

Financial assets and financial liabilities are measured on an ongoing basis either at fair value or at amortised cost. The principal accounting policies on pages 282 to 287 describe how the classes of financial instruments are measured and how income and expenses, including fair value gains and losses, are recognised.

The following table analyses the financial assets and liabilities in the statement of financial position per category of financial instrument to which they are assigned and therefore by measurement basis.

		2015		
R million	**Notes**	**Loans and receivables**	**Financial liabilities at amortised cost**	**Available-for-sale financial assets**
ASSETS				
Cash and cash equivalents	7	**61**	**–**	**–**
Accounts receivable	8	**1**	**–**	**–**
Investment in subsidiaries	9	**–**	**–**	**–**
Total assets		**62**	**–**	**–**
LIABILITIES				
Creditors and accruals	10	**–**	**81**	**–**
Provisions	11	**–**	**–**	**–**
Current tax liability		**–**	**–**	**–**
Employee liabilities	12	**–**	**–**	**–**
Total liabilities		**–**	**81**	**–**

		2014		
R million	**Notes**	**Loans and receivables**	**Financial liabilities at amortised cost**	**Available-for-sale financial assets**
ASSETS				
Cash and cash equivalents	7	55	–	–
Accounts receivable	8	1	–	–
Investment in subsidiaries	9	–	–	–
Total assets		56	–	–
LIABILITIES				
Creditors and accruals	10	–	54	–
Provisions	11	–	–	–
Current tax liability		–	–	–
Employee liabilities	12	–	–	–
Total liabilities		–	54	–

2015				
	Non-financial instruments	**Total carrying value**	**Current**	**Non-current**
	–	**61**	**61**	**–**
	–	**1**	**1**	**–**
	58 314	**58 314**	**243**	**58 071**
	58 314	**58 376**	**305**	**58 071**
	4	**85**	**85**	**–**
	7	**7**	**7**	**–**
	3	**3**	**3**	**–**
	153	**153**	**99**	**54**
	167	**248**	**194**	**54**

2014				
	Non-financial instruments	Total carrying value	Current	Non-current
	–	55	55	–
	–	1	1	–
	56 188	56 188	91	56 097
	56 188	56 244	147	56 097
	4	58	58	–
	8	8	8	–
	5	5	5	–
	85	85	45	40
	102	156	116	40

7 CASH AND CASH EQUIVALENTS

R million	2015	2014
Money at call and short notice	**61**	55
Cash and cash equivalents	**61**	55

The carrying value for cash and cash equivalents approximates the fair value. Money at short notice constitutes amounts withdrawable in 32 days or less.

8 ACCOUNTS RECEIVABLE

R million	2015	2014
Other accounts receivable	**1**	1
Total accounts receivable	**1**	1
Analysis of accounts receivable:		
Financial	**1**	1
Total accounts receivable	**1**	1

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

9 INVESTMENT IN SUBSIDIARIES

	Nature of business	Principal place of business
FirstRand EMA Holdings Limited (FREMA)	Financial services and products	Africa
Ordinary shares		
Non-redeemable preference shares		
FirstRand Bank Limited	Banking services	South Africa
Ordinary shares		
FirstRand Investment Holdings Proprietary Limited	Investment holdings	South Africa
Ordinary shares		
Ashburton Investment Holdings Limited	Investment management	South Africa
Ordinary shares		
FirstRand Insurance Holdings Proprietary Limited	Insurance activities	South Africa
Ordinary shares		
Investment through equity-settled share incentive scheme	Equity-settled share incentive scheme	South Africa

9 INVESTMENT IN SUBSIDIARIES continued

	% ownership	% voting rights	Investment of holding company – Amounts owing by/(to) subsidiaries 2015 R million	2014 R million	Shares at carrying amount 2015 R million	2014 R million
FirstRand EMA Holdings Limited (FREMA)						
Ordinary shares	**100**	100	**–**	–	**6 788**	6 407
Non-redeemable preference shares	**100**	100	**–**	–	**3 000**	3 000
FirstRand Bank Limited						
Ordinary shares	**100**	100	**243**	91	**40 194**	38 694
FirstRand Investment Holdings Proprietary Limited						
Ordinary shares	**100**	100	**–**	–	**7 338**	7 338
Ashburton Investment Holdings Limited						
Ordinary shares	**100**	100	**–**	–	**259**	259
FirstRand Insurance Holdings Proprietary Limited						
Ordinary shares	**100**	100	**–**	–	**75**	–
Total			**243**	91	**57 654**	55 698
Investment through equity-settled share incentive scheme					**417**	399
Total interest in subsidiaries					**58 314**	56 188

10 CREDITORS AND ACCRUALS

R million	**2015**	**2014**
Unclaimed dividends	**52**	46
Accounts payable and accrued liabilities	**33**	12
Total creditors and accruals	**85**	58

The carrying value of creditors and accruals approximates their fair value at year end.

11 PROVISIONS

R million	2015	2014
Audit fees		
Opening balance	**8**	8
Audit fee expense	**(1)**	–
Additional provisions created	**8**	8
Unutilised amounts reversed	**(9)**	(8)
Total audit fees	**7**	8
Total provisions	**7**	8

12 EMPLOYEE LIABILITIES

Staff-related provisions

The staff-related provision consists mainly of the provision for leave pay and staff bonuses.

R million	2015	2014
Opening balance	**36**	19
Additional provisions created	**27**	32
Utilised during the year	**(25)**	(15)
Total staff-related provisions	**38**	36
Share-based payment liability		
For a detailed description of share option schemes and trusts in which FirstRand Limited participates refer to note 31 in the group annual integrated report.		
Opening balance	**49**	42
Transfer between legal entities within the group	**–**	11
Share-based payment settlement (cash)	**(18)**	(49)
Charge to profit or loss	**84**	45
Total share-based payment liability	**115**	49
Total employee liabilities	**153**	85
The charge to profit or loss for share-based payments is as follows:		
FirstRand share appreciation right scheme	**84**	45
Conditional share plan	**3**	2
Amount included in profit or loss	**87**	47

13 DIVIDENDS

R million	2015	2014
Ordinary dividends		
A final dividend of 97.00 cents (9 September 2013: 81.00 cents) per share was declared on 8 September 2014 in respect of the six months ended 30 June 2014.	**7 956**	4 567
An interim dividend of 93.00 cents (3 March 2014: 77.00 cents) per share was declared on 6 March 2015 in respect of the six months ended 31 December 2014.	**5 217**	4 341
Total ordinary dividends paid for the year	**13 173**	8 908
B preference shares		
A final dividend of 341.10 cents (26 August 2013: 320.30 cents) per share was declared on 25 August 2014 in respect of the six months ended 30 June 2014.	**153**	144
An interim dividend of 348.50 cents (24 February 2014: 320.30 cents) per share was declared on 23 February 2015 in respect of the six months ended 31 December 2014.	**157**	144
Total preference dividends paid for the year	**310**	288
A final ordinary dividend per share (cents) was declared on 9 September 2015 (8 September 2014)	**117.0**	97.0

14 SHARE CAPITAL AND SHARE PREMIUM

	2015		
	Number of ordinary shares	**Number of A preference shares#**	
Authorised			
Number of shares	**6 001 688 450**	**198 311 550**	
Issued – fully paid up**			
Ordinary shares			
Opening balance	**5 637 941 689**	**–**	
Shares issued	**35 420 014**	**–**	
Shares bought back	**(63 873 702)**		
Closing balance	**5 609 488 001**	**–**	
B preference shares			
Opening balance	**–**	**–**	
Closing balance	**–**	**–**	
Total issued share capital and share premium – closing balance	**5 609 488 001**	**–**	
Analysis of total issued share capital closing balance			
Ordinary issued share capital of 1 cent each at end of year as above	**5 609 488 001**	**–**	
B variable rate NCNR preference shares of 1 cent each	**–**	**–**	
Total issued share capital – closing balance	**5 609 488 001**	**–**	
Disclosed on the face of the statement of financial position			
Ordinary share capital			
Ordinary share premium			
NCNR preference shares			
Total			

* *Less than R500 000.*

** *All issued share capital is fully paid up.*

The A variable rate cumulative convertible redeemable preference shares are not listed.

† *The B preference shares are variable rate NCNR preference shares and are listed on the JSE. Dividends on the B preference shares are calculated at a rate of 75.5% of the prime lending rate of banks effective 23 May 2012.*

‡ *The C preference shares are unlisted variable rate convertible non-cumulative redeemable preference shares.*

^ *The D preference shares are unlisted variable rate, cumulative redeemable preference shares.*

	2015					
	Number of B preference shares†	Number of C preference shares‡	Number of D preference shares^	Ordinary share capital R million	Share premium R million	Total R million
	100 000 000	100 000 000	100 000 000	–	–	–
	–	–	–	56	7 082	7 138
	–	–	–	*	1 611	1 611
				*	(637)	(637)
	–	–	–	56	8 056	8 112
	45 000 000	–	–	*	4 519	4 519
	45 000 000	–	–	*	4 519	4 519
	45 000 000	–	–	56	12 575	12 631
	–	–	–	56	8 056	8 112
	45 000 000	–	–	*	4 519	4 519
	45 000 000	–	–	56	12 575	12 631
						56
						8 056
						4 519
						12 631

14 SHARE CAPITAL AND SHARE PREMIUM continued

	2014	
	Number of ordinary shares	**Number of A preference shares#**
Authorised		
Number of shares	6 001 688 450	198 311 550
Issued – fully paid up**		
Ordinary shares		
Opening balance	5 637 941 689	–
Shares issued	–	–
Shares bought back	–	–
Closing balance	5 637 941 689	–
B preference shares		
Opening balance	–	–
Closing balance	–	–
Total issued share capital and share premium – closing balance	5 637 941 689	–
Analysis of total issued share capital closing balance		
Ordinary issued share capital of 1 cent each at end of year as above	5 637 941 689	–
B variable rate NCNR preference shares of 1 cent each	–	–
Total issued share capital – closing balance	5 637 941 689	–
Disclosed on the face of the statement of financial position		
Ordinary share capital		
Ordinary share premium		
NCNR preference shares		
Total		

* *Less than R500 000.*

** *All issued share capital is fully paid up.*

The A variable rate cumulative convertible redeemable preference shares are not listed.

† *The B preference shares are variable rate NCNR preference shares and are listed on the JSE. Dividends on the B preference shares are calculated at a rate of 75.5% of the prime lending rate of banks effective 23 May 2012.*

‡ *The C preference shares are unlisted variable rate convertible non-cumulative redeemable preference shares.*

^ *The D preference shares are unlisted variable rate, cumulative redeemable preference shares.*

R million	2015	2014
Redeemable preference shares		
Authorised		
100 million cumulative redeemable preference shares with a par value of R0.01 per share	**1**	1

	2014					
	Number of B preference shares†	Number of C preference shares‡	Number of D preference shares^	Ordinary share capital R million	Share premium R million	Total R million
	100 000 000	100 000 000	100 000 000	–	–	–
	–	–	–	56	7 082	7 138
	–	–	–	–	–	–
	–	–	–	–	–	–
	–	–	–	56	7 082	7 138
	45 000 000	–	–	*	4 519	4 519
	45 000 000	–	–	*	4 519	4 519
	45 000 000			56	11 601	11 657
	–	–	–	56	7 082	7 138
	45 000 000	–	–	*	4 519	4 519
	45 000 000	–	–	56	11 601	11 657
						56
						7 082
						4 519
						11 657

15 CASH FLOW INFORMATION

R million	2015	2014
15.1 Cash generated by operations		
Income before tax	**14 616**	8 580
Adjustment for non-cash items	**112**	80
Dividends received	**(14 711)**	(8 687)
Interest received	**(66)**	(17)
Interest paid	**2**	*
Cash generated by operations	**(47)**	(44)
15.2 Working capital changes		
Decrease in accounts receivable	*****	4
Decrease in employee liabilities	**(43)**	(53)
Increase in creditors, accruals and provisions	**27**	6
Net working capital changes	**(16)**	(43)
15.3 Taxation paid		
Tax payable at beginning of the year	**(5)**	(14)
Charge to income statement	**(18)**	(8)
Indirect tax paid	**(10)**	(3)
Tax payable at the end of the year	**3**	5
Taxation paid	**(30)**	(20)
15.4 Dividends paid		
Ordinary dividends		
Final dividend paid	**(7 956)**	(4 567)
Interim dividend paid	**(5 217)**	(4 341)
Ordinary dividends paid	**(13 173)**	(8 908)
Preference dividends on B preference shares		
Final dividend paid	**(153)**	(144)
Interim dividends paid	**(157)**	(144)
Preference dividends paid	**(310)**	(288)
Total dividends paid	**(13 483)**	(9 196)

* *Less than R500 000.*

16 RELATED PARTIES

FirstRand defines related parties as:

(i) Parent company;
(ii) Subsidiaries;
(iii) Associate companies;
(iv) Joint ventures;
(v) Entities that have significant influence over the group. If an investor has significant influence over the group that investor and its subsidiaries are related parties of the group. The group is FirstRand Limited and its subsidiaries;
(vi) Post-employment benefit funds (pension funds);
(vii) Key management personnel, being the FirstRand Limited board of directors and the FirstRand executive committee, including any entities which provide key management personnel services to the group;
(viii) Close family members of key management personnel (individual's spouse/domestic partner and children; domestic partner's children and dependants of individual or domestic partner); and
(ix) Entities controlled, jointly controlled or significantly influenced by an individual referred to in (vi) and (vii).

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

During the current year FirstRand Limited did not directly enter into a transaction with its principal shareholder.

16.1 Subsidiaries

Details of interests in subsidiaries are disclosed in note 9.

16 RELATED PARTIES continued

16.2 Details of transactions with relevant related parties appear below

	2015	
R million	**Entities that have significant influence over FirstRand Limited and their subsidiaries**	**Subsidiaries**
Net interest received	**–**	**63**
Non-interest income	**–**	**28**
Dividends received	**–**	**14 711**
Dividends paid	**3 630**	**–**

	2014	
R million	**Entities that have significant influence over FirstRand Limited and their subsidiaries**	**Subsidiaries**
Net interest received	–	16
Non-interest income	–	24
Dividends received	–	8 687
Dividends paid	3 018	–

Refer to the remuneration committee's report for details of the compensation paid to key management personnel.

17 EVENTS AFTER REPORTING PERIOD

Refer to note 47 of the consolidated financial statements of the group for further details.

DEFINITIONS AND ABBREVIATIONS

DEFINITIONS

Additional Tier 1 capital (AT1)	NCNR preference share capital plus qualifying capital instruments issued out of fully consolidated subsidiaries to third parties less specified regulatory deductions.
CAGR	Compound annual growth rate.
Capital adequacy ratio (CAR)	Capital divided by RWA.
Common Equity Tier 1 capital (CETI)	Tier 1 less Additional Tier 1 capital.
Common Equity Tier 1 capital	Share capital and premium plus accumulated comprehensive income and reserves plus qualifying capital instruments issued out of fully consolidated subsidiaries to third parties less specific regulatory deductions.
Cost-to-income ratio	Operating expenses excluding indirect taxes expressed as a percentage of total income including share of profits from associates and joint ventures.
Credit loss ratio	Total impairment charge per the income statement expressed as a percentage of average advances (average between the opening and closing balance for the year).
Diversity ratio	Non-interest revenue expressed as a percentage of total income including share of profits from associates and joint ventures.
Dividend cover	Normalised earnings per share divided by dividend per share.
Effective tax rate	Tax per the income statement divided by the profit before tax per the income statement.
Exposure at default (EAD)	Gross exposure of a facility upon default of a counterparty.
Loan-to-deposit ratio	Average advances expressed as a percentage of average deposits.
Loss given default (LGD)	Economic loss that will be suffered on an exposure following default of the counterparty, expressed as a percentage of the amount outstanding at the time of default.
Net income after capital charge (NIACC)	Normalised earnings less the cost of equity multiplied by the average ordinary shareholders' equity and reserves.
Normalised earnings	The group believes normalised earnings more accurately reflect its economic performance. Headline earnings are adjusted to take into account non-operational and accounting anomalies.
Normalised earnings per share	Normalised earnings attributable to ordinary equityholders divided by the weighted average number of shares including treasury shares.
Normalised net asset value	Normalised equity attributable to ordinary equityholders.
Normalised net asset value per share	Normalised equity attributable to ordinary equityholders divided by the number of issued ordinary shares.
Price earnings ratio (times)	Closing price on 30 June divided by basic normalised earnings per share.
Price-to-book (times)	Closing share price on 30 June divided by normalised net asset value per share.
Probability of default (PD)	Probability that a counterparty will default within the next year (considering the ability and willingness of the counterparty to repay).

Return on assets (ROA)	Normalised earnings divided by average assets.
Return on equity (ROE)	Normalised earnings divided by average normalised ordinary shareholders equity.
Risk weighted assets (RWA)	Prescribed risk weightings relative to the credit risk of counterparties, operational risk, market risk, equity investment risk and other risk multiplied by on- and off-balance sheet assets.
Shares in issue	Number of ordinary shares listed on the JSE.
Tier 1 ratio	Tier 1 capital divided by RWA.
Tier 1 capital	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 regulatory deductions.
Total qualifying capital and reserves	Tier 1 capital plus Tier 2 capital.
Weighted average number of ordinary shares	Weighted average number of ordinary shares in issue during the year as listed on the JSE.

ABBREVIATIONS

AIRB	Advanced internal ratings based approach
AMA	Advanced measurement approach
AVC	Asset value correlation
BIA	Basic indicator approach
BPRMF	Business performance and risk management framework
CVA	Credit value adjustment
ICR	Individual capital requirement
LCR	Liquidity coverage ratio
NOFP	Net open forward position in foreign exchange
NSFR	Net stable funding ratio
TSA	The standardised approach
VaR	Value-at-Risk

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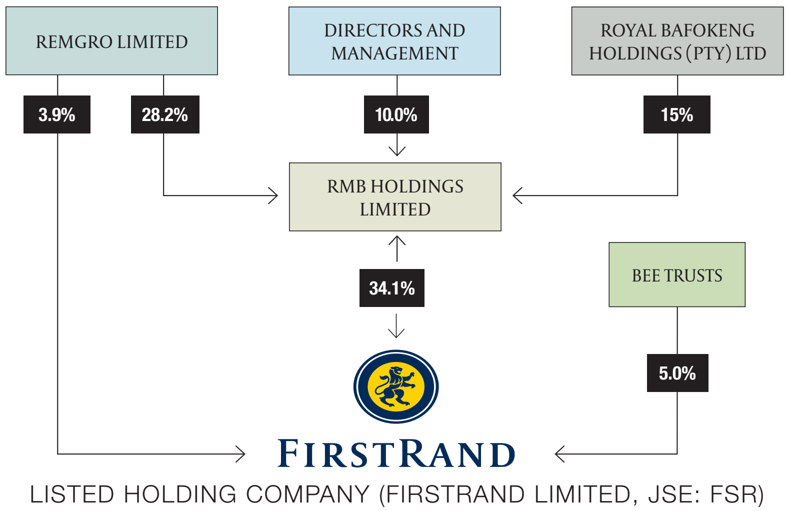
SHAREHOLDERS' INFORMATION

SIMPLIFIED GROUP STRUCTURE



100%	100%	100%	100%	100%
FIRSTRAND BANK LIMITED	FIRSTRAND EMA (PTY) LTD (FREMA)	FIRSTRAND INVESTMENT HOLDINGS (PTY) LTD (FRIHL)	ASHBURTON INVESTMENTS HOLDINGS LIMITED	FIRSTRAND INSURANCE HOLDINGS (PTY) LTD
Banking	**Africa and emerging markets**	**Other activities**	**Investment management**	**Insurance**
First National Bank[1]	**58%** FNB Namibia	**96%** RMB Private Equity Holdings	**100%** Ashburton Fund Managers	**100%** FirstRand Life Assurance
Rand Merchant Bank[1]	**69%** FNB Botswana	**93%** RMB Private Equity	**100%** Ashburton Investor Services	
WesBank[1]	**100%** FNB Swaziland	**100%** RMB Securities	**100%** Ashburton Management Company (RF)	
FirstRand Bank India[2]	**90%** FNB Mozambique	**50%** RMB Morgan Stanley	**100%** Ashburton Private Equity GP 1	
FirstRand Bank London[2,*]	**100%** FNB Zambia	**100%** FNB Securities	**100%** Ashburton Equity Hedge Fund GP 1	
FirstRand Bank Guernsey[2,**]	**100%** FNB Lesotho	**100%** RentWorks	**100%** Ashburton Investments International Holdings	
FirstRand Bank Kenya[3]	**100%** FNB Tanzania	**100%** Direct Axis[#]	**100%** RMB CIS Management Company (RF)	
FirstRand Bank Angola[3]	**100%** FNB Ghana	**100%** FirstRand International – Guernsey		
FirstRand Bank Dubai[3]	**100%** RMB Nigeria	**100%** RMB Australia Holdings		
FirstRand Bank Shanghai[3]	**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.
# Percentage ownership at date of publication of annual integrated report

Structure shows effective consolidated shareholding

For segmental analysis purposes, entities included in FRIHL and FREMA are reported as part of results of the managing franchise. The group's securitisations and conduits are in FRIHL.

ANALYSIS OF ORDINARY SHAREHOLDERS

	Number of shareholders	Shares held (thousands)	%
Shareholders beneficial effective holding more than 5%			
RMB Holdings Limited		1 910 433	34.1
Public investment corporation		518 126	9.2
FirstRand Empowerment Trust and related parties		280 557	5.0
Financial Securities Limited (Remgro)		219 805	3.9
Subtotal		2 928 921	52.2
Other		2 680 567	47.8
Total		5 609 488	100.0
Shareholder type			
Corporates (RMB Holdings and Remgro)		2 130 239	38.0
Pension funds		946 182	16.9
Insurance companies and banks		283 257	5.0
Unit trusts		995 627	17.7
Individuals		45 338	0.8
Empowerment trust		280 557	5.0
Staff assistance trust		15 237	0.3
Other		913 051	16.3
Total		5 609 488	100.0
Public and non-public shareholders			
Public	52 330	3 164 570	56.4
Non-public			
– Corporates (RMB Holdings and Remgro)	2	2 130 239	38.0
– Directors and prescribed officers*	12	18 885	0.3
– Empowerment trust	1	280 557	5.0
– Staff assistance trust	1	15 237	0.3
Total	52 346	5 609 488	100.0
Geographic ownership			
South Africa		3 941 540	70.3
International		1 241 473	22.1
Unknown/unanalysed		426 475	7.6
Total		5 609 448	100.0

* *Reflects direct beneficial interest.*

ANALYSIS OF B PREFERENCE SHAREHOLDERS

as at 30 June 2015

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

PERFORMANCE ON THE JSE

as at 30 June

	2015	2014
Number of shares in issue (thousands)	**5 609 488**	5 637 942
Market price (cents per share)		
Closing	**5 332**	4 075
High	**5 847**	4 162
Low	**4 002**	2 765
Weighted average	**4 901**	3 431
Closing price/net asset value per share	**3.26**	2.78
Closing price/earnings (headline)	**13.98**	11.97
Volume of shares traded (millions)	**2 539**	2 664
Value of shares traded (R million)	**123 832**	90 928
Market capitalisation (R billion)	**297.21**	229.75

COMPANY INFORMATION

DIRECTORS

LL Dippenaar (chairman), SE Nxasana (chief executive officer), JP Burger (deputy chief executive officer), HS Kellan (financial director), VW Bartlett, JJH Bester (retired December 2014), MS Bomela, P Cooper (alternate), L Crouse, JJ Durand, GG Gelink, PM Goss, NN Gwagwa, PK Harris, WR Jardine, RM Loubser, EG Matenge-Sebesho, AT Nzimande, D Premnarayen (India), KB Schoeman, BJ van der Ross, JH van Greuning

SECRETARY AND REGISTERED OFFICE

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

JSE SPONSOR

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

NAMIBIAN SPONSOR

Simonis Storm Securities (Pty) Ltd
4 Koch Street
Klein Windhoek
Namibia

TRANSFER SECRETARIES – SOUTH AFRICA

Computershare Investor Services (Pty) Ltd
70 Marshall Street
Johannesburg 2001
PO Box 61051, Marshalltown 2107
Tel: +27 11 370 5000
Fax: +27 11 688 5248

TRANSFER SECRETARIES – NAMIBIA

Transfer Secretaries (Pty) Ltd
4 Robert Mugabe Avenue, Windhoek
PO Box 2401, Windhoek, Namibia
Tel: +264 612 27647
Fax: +264 612 48531

LISTED FINANCIAL INSTRUMENTS OF THE GROUP AND ITS SUBSIDIARIES

LISTED EQUITY INSTRUMENTS

Johannesburg Stock Exchange (JSE)

Ordinary shares

Issuer	Share code	ISIN code
FirstRand Limited	FSR	ZAE000066304

Non-cumulative non-redeemable B preference shares

Issuer	Share code	ISIN code
FirstRand Limited	FSRP	ZAE000060141

Namibian Stock Exchange (NSX)

Ordinary shares

Issuer	Share code	ISIN code
FirstRand Limited	FST	ZAE000066304
FNB Namibia Holdings Limited	FNB	NA0003475176

Botswana Stock Exchange (BSE)

Ordinary shares

Issuer	Share code	ISIN code
First National Bank of Botswana Limited	FNBB	BW0000000066

LISTED DEBT INSTRUMENTS

Johannesburg Stock Exchange (JSE)

	Issuer	Bond code	ISIN code
Subordinated debt	FirstRand Bank Limited	FRB05	ZAG000031337
	FirstRand Bank Limited	FRB08	ZAG000047796
	FirstRand Bank Limited	FRB09	ZAG000047804
	FirstRand Bank Limited	FRB10	ZAG000092487
	FirstRand Bank Limited	FRB11	ZAG000102054
	FirstRand Bank Limited	FRB12	ZAG000116278
	FirstRand Bank Limited	FRB13	ZAG000116286
	FirstRand Bank Limited	FRB14	ZAG000116294
	FirstRand Bank Limited	FRB15	ZAG000124199
	FirstRand Bank Limited	FRBC21	ZAG000052283
	FirstRand Bank Limited	FRBC22	ZAG000052390
Senior unsecured	FirstRand Bank Limited	FRBN04	ZAG000041005
	FirstRand Bank Limited	FRBZ01	ZAG000049255
	FirstRand Bank Limited	FRBZ02	ZAG000072711
	FirstRand Bank Limited	FRBZ03	ZAG000080029
	FirstRand Bank Limited	FRJ16	ZAG000073826
	FirstRand Bank Limited	FRJ17	ZAG000094343
	FirstRand Bank Limited	FRJ18	ZAG000084187
	FirstRand Bank Limited	FRJ19	ZAG000104563
	FirstRand Bank Limited	FRJ20	ZAG000109596

	Issuer	Bond code	ISIN code
Senior unsecured	FirstRand Bank Limited	FRJ21	ZAG000115858
	FirstRand Bank Limited	FRJ25	ZAG000124256
	FirstRand Bank Limited	FRS36	ZAG000077397
	FirstRand Bank Limited	FRS37	ZAG000077793
	FirstRand Bank Limited	FRS43	ZAG000078643
	FirstRand Bank Limited	FRS46	ZAG000079807
	FirstRand Bank Limited	FRS49	ZAG000081787
	FirstRand Bank Limited	FRS51	ZAG000086117
	FirstRand Bank Limited	FRS56	ZAG000087271
	FirstRand Bank Limited	FRS59	ZAG000089855
	FirstRand Bank Limited	FRS62	ZAG000090614
	FirstRand Bank Limited	FRS64	ZAG000092529
	FirstRand Bank Limited	FRS81	ZAG000100892
	FirstRand Bank Limited	FRS85	ZAG000104985
	FirstRand Bank Limited	FRS86	ZAG000105008
	FirstRand Bank Limited	FRS87	ZAG000105420
	FirstRand Bank Limited	FRS88	ZAG000106154
	FirstRand Bank Limited	FRS90	ZAG000106410
	FirstRand Bank Limited	FRS94	ZAG000107871
	FirstRand Bank Limited	FRS96	ZAG000108390
	FirstRand Bank Limited	FRS100	ZAG000111634
	FirstRand Bank Limited	FRS101	ZAG000111774
	FirstRand Bank Limited	FRS102	ZAG000111782
	FirstRand Bank Limited	FRS103	ZAG000111840
	FirstRand Bank Limited	FRS104	ZAG000111857
	FirstRand Bank Limited	FRS105	ZAG000112046
	FirstRand Bank Limited	FRS107	ZAG000112061
	FirstRand Bank Limited	FRS108	ZAG000113515
	FirstRand Bank Limited	FRS109	ZAG000113564
	FirstRand Bank Limited	FRS110	ZAG000113663
	FirstRand Bank Limited	FRS112	ZAG000115395
	FirstRand Bank Limited	FRS113	ZAG000115478
	FirstRand Bank Limited	FRS114	ZAG000116070
	FirstRand Bank Limited	FRS115	ZAG000116740
	FirstRand Bank Limited	FRS116	ZAG000117136
	FirstRand Bank Limited	FRS117	ZAG000117706
	FirstRand Bank Limited	FRS118	ZAG000118498
	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

LISTED DEBT INSTRUMENTS

JSE continued

	Issuer	Bond code	ISIN code
Senior unsecured	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	FRX16	ZAG000084203
	FirstRand Bank Limited	FRX17	ZAG000094376
	FirstRand Bank Limited	FRX18	ZAG000076472
	FirstRand Bank Limited	FRX19	ZAG000073685
	FirstRand Bank Limited	FRX20	ZAG000109604
	FirstRand Bank Limited	FRX23	ZAG000104969
	FirstRand Bank Limited	FRX24	ZAG000073693
	FirstRand Bank Limited	FRX26	ZAG000112160
	FirstRand Bank Limited	FRX30	ZAG000124264
	FirstRand Bank Limited	FRX31	ZAG000084195
	FirstRand Bank Limited	FRX45	ZAG000076480
Inflation-linked bonds	FirstRand Bank Limited	FRBI22	ZAG000079666
	FirstRand Bank Limited	FRBI23	ZAG000076498
	FirstRand Bank Limited	FRBI25	ZAG000109588
	FirstRand Bank Limited	FRBI28	ZAG000079237
	FirstRand Bank Limited	FRBI33	ZAG000079245
Credit-linked notes	FirstRand Bank Limited	FRC37	ZAG000076712
	FirstRand Bank Limited	FRC40	ZAG000081027
	FirstRand Bank Limited	FRC46	ZAG000082959
	FirstRand Bank Limited	FRC61	ZAG000087347
	FirstRand Bank Limited	FRC66	ZAG000088485
	FirstRand Bank Limited	FRC67	ZAG000088741
	FirstRand Bank Limited	FRC68	ZAG000088758
	FirstRand Bank Limited	FRC69	ZAG000088766
	FirstRand Bank Limited	FRC71	ZAG000088923
	FirstRand Bank Limited	FRC72	ZAG000088956
	FirstRand Bank Limited	FRC74	ZAG000089178
	FirstRand Bank Limited	FRC76	ZAG000089574
	FirstRand Bank Limited	FRC78	ZAG000089806
	FirstRand Bank Limited	FRC79	ZAG000089947
	FirstRand Bank Limited	FRC82	ZAG000090796
	FirstRand Bank Limited	FRC83	ZAG000090952
	FirstRand Bank Limited	FRC84	ZAG000090986
	FirstRand Bank Limited	FRC86	ZAG000091182

	Issuer	Bond code	ISIN code
Credit-linked notes	FirstRand Bank Limited	FRC87	ZAG000091570
	FirstRand Bank Limited	FRC94A	ZAG000106725
	FirstRand Bank Limited	FRC95	ZAG000092792
	FirstRand Bank Limited	FRC96A	ZAG000106733
	FirstRand Bank Limited	FRC98	ZAG000093220
	FirstRand Bank Limited	FRC99	ZAG000093501
	FirstRand Bank Limited	FRC101	ZAG000093576
	FirstRand Bank Limited	FRC105	ZAG000093998
	FirstRand Bank Limited	FRC106	ZAG000093956
	FirstRand Bank Limited	FRC107	ZAG000094574
	FirstRand Bank Limited	FRC108	ZAG000094871
	FirstRand Bank Limited	FRC109	ZAG000094889
	FirstRand Bank Limited	FRC112	ZAG000095621
	FirstRand Bank Limited	FRC113	ZAG000095761
	FirstRand Bank Limited	FRC115	ZAG000095852
	FirstRand Bank Limited	FRC116	ZAG000095860
	FirstRand Bank Limited	FRC117	ZAG000095928
	FirstRand Bank Limited	FRC118	ZAG000096280
	FirstRand Bank Limited	FRC121	ZAG000096314
	FirstRand Bank Limited	FRC122	ZAG000096322
	FirstRand Bank Limited	FRC124	ZAG000096579
	FirstRand Bank Limited	FRC125	ZAG000096678
	FirstRand Bank Limited	FRC128	ZAG000096959
	FirstRand Bank Limited	FRC134	ZAG000097056
	FirstRand Bank Limited	FRC135	ZAG000097122
	FirstRand Bank Limited	FRC144	ZAG000097569
	FirstRand Bank Limited	FRC145	ZAG000097627
	FirstRand Bank Limited	FRC147	ZAG000099433
	FirstRand Bank Limited	FRC148	ZAG000099466
	FirstRand Bank Limited	FRC149	ZAG000099607
	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

	Issuer	Bond code	ISIN code
Credit-linked notes	FirstRand Bank Limited	FRC172	ZAG000105818
	FirstRand Bank Limited	FRC173	ZAG000105826
	FirstRand Bank Limited	FRC174	ZAG000105891
	FirstRand Bank Limited	FRC175	ZAG000106527
	FirstRand Bank Limited	FRC176	ZAG000107178
	FirstRand Bank Limited	FRC177	ZAG000107632
	FirstRand Bank Limited	FRC178	ZAG000107897
	FirstRand Bank Limited	FRC179	ZAG000108168
	FirstRand Bank Limited	FRC180	ZAG000108234
	FirstRand Bank Limited	FRC181	ZAG000108549
	FirstRand Bank Limited	FRC182	ZAG000108713
	FirstRand Bank Limited	FRC183	ZAG000109356
	FirstRand Bank Limited	FRC184	ZAG000109992
	FirstRand Bank Limited	FRC185	ZAG000111451
	FirstRand Bank Limited	FRC186	ZAG000111576
	FirstRand Bank Limited	FRC188	ZAG000111873
	FirstRand Bank Limited	FRC189	ZAG000112145
	FirstRand Bank Limited	FRC190	ZAG000113994
	FirstRand Bank Limited	FRC191	ZAG000114547
	FirstRand Bank Limited	FRC192	ZAG000114521
	FirstRand Bank Limited	FRC193	ZAG000114620
	FirstRand Bank Limited	FRC194	ZAG000114638
	FirstRand Bank Limited	FRC195	ZAG000114745
	FirstRand Bank Limited	FRC196	ZAG000114729
	FirstRand Bank Limited	FRC197	ZAG000114737
	FirstRand Bank Limited	FRC198	ZAG000114760
	FirstRand Bank Limited	FRC199	ZAG000114844
	FirstRand Bank Limited	FRC200	ZAG000114992
	FirstRand Bank Limited	FRC201	ZAG000115106
	FirstRand Bank Limited	FRC202	ZAG000115114
	FirstRand Bank Limited	FRC203	ZAG000115122
	FirstRand Bank Limited	FRC204	ZAG000115593
	FirstRand Bank Limited	FRC205	ZAG000115619
	FirstRand Bank Limited	FRC206	ZAG000116088
	FirstRand Bank Limited	FRC207	ZAG000117649
	FirstRand Bank Limited	FRC208	ZAG000117656
	FirstRand Bank Limited	FRC209	ZAG000118613
	FirstRand Bank Limited	FRC210	ZAG000120296
	FirstRand Bank Limited	FRC211	ZAG000121013
	FirstRand Bank Limited	FRC212	ZAG000121054
	FirstRand Bank Limited	FRC213	ZAG000121047
	FirstRand Bank Limited	FRC214	ZAG000121039
	FirstRand Bank Limited	FRC215	ZAG000121021
	FirstRand Bank Limited	FRC216	ZAG000121070

	Issuer	Bond code	ISIN code
Credit-linked notes	FirstRand Bank Limited	FRC217	ZAG000121088
	FirstRand Bank Limited	FRC218	ZAG000121096
	FirstRand Bank Limited	FRC219	ZAG000121138
	FirstRand Bank Limited	FRC220	ZAG000121146
	FirstRand Bank Limited	FRC221	ZAG000121229
	FirstRand Bank Limited	FRC222	ZAG000121294
	FirstRand Bank Limited	FRC223	ZAG000121302
	FirstRand Bank Limited	FRC224	ZAG000121310
	FirstRand Bank Limited	FRC225	ZAG000121435
	FirstRand Bank Limited	FRC226	ZAG000122722
	FirstRand Bank Limited	FRC227	ZAG000124363
	FirstRand Bank Limited	FRC228	ZAG000124397
	FirstRand Bank Limited	FRC229	ZAG000124850
	FirstRand Bank Limited	FRC230	ZAG000125006
	FirstRand Bank Limited	FRC231	ZAG000125030
	FirstRand Bank Limited	FRD003	ZAG000114067
Investment security index contracts	Rand Merchant Bank	RMBI06	ZAG000056722
	Rand Merchant Bank	RMBI07	ZAG000057910
	Rand Merchant Bank	RMBI08	ZAG000072265
Structured notes	FirstRand Bank Limited	COLRMB	ZAE000155222

LISTED DEBT INSTRUMENTS

NSX

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

London Stock Exchange (LSE)

European medium term note (EMTN) programme

	Issuer	ISIN code
Senior unsecured	FirstRand Bank Limited	XS0610341967
	FirstRand Bank Limited	XS0635404477

SIX Swiss Exchange

	Issuer	ISIN code
Senior unsecured	FirstRand Bank Limited	CH0238315680

NOTICE OF ANNUAL GENERAL MEETING

FIRSTRAND LIMITED

(Incorporated in the Republic of South Africa)
(Registration number: 1966/010753/06)
Share code: (JSE): FSR ISIN: ZAE000066304
JSE B preference share code: FSRP ISIN: ZAE000060141
NSX ordinary share code: FST
(FirstRand or the company or FSR)

Notice is hereby given to all holders of ordinary shares in the company (shareholders) that the nineteenth annual general meeting of FirstRand will be held in the Auditorium, FNB Conference and Learning Centre, 114 Grayston Drive, Sandton, on Tuesday, 1 December 2015, at 09:00, to deal with such business as may lawfully be dealt with at the meeting and to consider and, if deemed fit, pass, with or without modification, the ordinary and special resolutions set out hereunder in the manner required by the Companies Act, 71 of 2008, as amended (the Act), as read with the Listings Requirements of the JSE Limited (JSE).

Record date

Record date in order to be eligible to receive the notice of AGM	Friday, 16 October 2015
Posting date	Friday, 23 October 2015
Last day to trade in order to be eligible to attend and vote at the AGM	Friday, 13 November 2015
Record date in order to be eligible to attend and vote at the AGM	Friday, 20 November 2015
Proxies due	Friday, 27 November 2015
AGM	Tuesday, 1 December 2015

Notes:

The above dates and times are subject to amendment, provided that in the event of an amendment, an announcement will be released on SENS and published in the South African press.

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

AGENDA

1 Annual financial statements

Presentation of the consolidated audited annual financial statements of the company as approved by the board of directors of the company (directors or board), including the reports of the external auditors, audit committee and directors for the financial year ended 30 June 2015, all of which are included in the 2015 annual integrated report and the summarised financial statements 2015 (annual report), of which this notice forms part, distributed as required by the Act to shareholders.

2 Social and ethics committee

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

3 Ordinary resolutions number 1.1 to 1.6

Re-election of directors by way of separate resolutions

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

1.1 Jan Jonathan Durand
Non-executive director
Date of appointment: 23 October 2012

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

1.2 Patrick Maguire Goss
Independent non-executive director
Date of appointment: 27 May 1998

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

1.3 Paul Kenneth Harris
Non-executive director
Date of appointment: 1 July 1992

Educational qualifications
MCom

1.4 William Rodger Jardine
Independent non-executive director
Date of appointment: 1 July 2010

Educational qualifications
BSc (Physics), MSc (Radiological Physics)

1.5 Ethel Gothatamodimo Matenge-Sebesho
Independent non-executive director
Date of appointment: 1 July 2010

Educational qualifications
MBA (Brunel), CAIB (SA)

1.6 Amanda Tandiwe (Tandi) Nzimande
Non-executive director
Date of appointment: 28 February 2008

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

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

Biographical details of these directors are set out in the annual integrated report.

The percentage of voting rights required for each ordinary resolution contained under points 1.1 to 1.6 of the notice to be adopted is more than 50% (fifty percent) of the voting rights exercised on each resolution.

Re-election of directors by way of separate resolution
To re-elect the following directors in terms of clause 25.2, 25.7.1 and 25.9.2 of the company's MOI.

1.7 Vivian Wade Bartlett
Independent non-executive director
Date of appointment: 27 May 1998

Educational qualifications
AMP (Harvard), FIBSA

Mr Bartlett reached age 72 on 12 April 2015. The board has considered and has unanimously approved the extension of his tenure as a director for an additional 12 months from date of the AGM.

Accordingly, being eligible for re-election and having been recommended by the board, Mr Bartlett offers himself for re-election.

The percentage of voting rights required for the ordinary resolution contained under point 1.7 of the notice to be adopted is more than 50% (fifty percent) of the voting rights exercised on the resolution.

Vacancies filled by the directors during the year
To elect by way of a separate resolution, the following director who was appointed by the board on 2 September 2015, with effect from 1 October 2015, to fill a vacancy in accordance with the Act and in terms of clause 25.2 of the company's MOI and is now recommended by the board for election by shareholders:

1.8 Alan Patrick Pullinger
Deputy chief executive officer
Date of appointment: 1 October 2015

Educational qualifications
MCom, CA(SA), CFA

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

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

To elect by way of a separate resolution, the following director who was appointed by the board on 2 September 2015, with effect from 1 October 2015, to fill a vacancy in accordance with the Act and in terms of clause 25.2 of the company's MOI and is now recommended by the board for election by shareholders:

1.9 Paballo Joel Makosholo
Non-executive director
Date of appointment: 1 October 2015

Educational qualifications
MCom (South African and International Taxation), CA(SA)

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

He joined Kagiso Trust in 2006 and was appointed chief financial and investment executive.

The percentage of voting rights required for each ordinary resolution contained under points 1.8 to 1.9 of the notice to be adopted is more than 50% (fifty percent) of the voting rights exercised on the resolution.

5 **Ordinary resolution number 2**

Appointment of joint auditors responsible for the audit of the company

2.1 Resolved that, as recommended by the audit committee of the company, Deloitte & Touche be appointed auditors of the company until the next annual general meeting.

2.2 Resolved that, as recommended by the audit committee of the company, PricewaterhouseCoopers Inc. be appointed auditors of the company until the next annual general meeting.

The company's audit committee has recommended and the directors have endorsed the proposed appointments. It is proposed that the aforementioned appointments be made on a joint basis. If either resolution 2.1 or resolution 2.2 is not passed, the resolution passed shall be effective.

The remuneration of the company's auditors and the auditors' terms of engagement are determined by the audit committee pursuant to the Act.

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

6 **Advisory endorsement of the remuneration policy**

To endorse, through a non-binding advisory vote, the company's remuneration policy (excluding the remuneration of the non-executive directors and the members of board committees for their services as directors and members of committees), as set out in the remuneration report contained on pages 87 to 101 of the annual integrated report.

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

7 **Ordinary resolution number 3**

Placing the unissued ordinary shares under the control of the directors

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

Shareholders are requested to note that the 392 200 449 unissued ordinary share capital of the company represents approximately 6.5% of the entire authorised share capital of the company.

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

8 **Ordinary resolution number 4**

General authority to issue authorised but unissued ordinary shares

Resolved that subject to the passing of ordinary resolution number 3, the directors be and are hereby authorised by way of a renewable general authority, to issue all or any of the authorised but unissued equity shares in the capital of the company for cash as and when they in their discretion deem fit, subject to the Act, the Banks Act, the MOI and the Listings Requirements of the JSE and NSX, when applicable, on the basis that:

- this authority shall be valid until the company's next annual general meeting or for 15 months from the date that this resolution is passed, whichever period is shorter;
- the ordinary shares must be issued to public shareholders as defined by the Listings Requirements of the JSE and the NSX and not to related parties;
- the equity shares which are the subject of the issue for cash must be of a class already in issue or, where this is not the case, must be limited to such securities or rights that are convertible into a class already in issue;
- in respect of securities which are the subject of the general issue of shares for cash:
  - in the aggregate in any one financial year the ordinary shares may not exceed 5% (280 474 400) of the

company's relevant number of equity shares in issue of that class, as at the date of this notice;

- any equity shares issued under this authority during the period contemplated must be deducted from such number;
- in the event of a subdivision or consolidation of issued equity shares during the period contemplated, the existing authority must be adjusted to represent the same allocation ratio;
- the calculation of the listed equity shares is a factual assessment of the listed equity shares as at the date of the notice of the annual general meeting, excluding treasury shares;

- a maximum discount at which the ordinary shares may be issued is 10% of the weighted average traded price of the company's ordinary shares measured over 30 business days prior to the date that the price of the issue is determined or agreed by the directors and the party subscribing for the securities;
- any such general issues are subject to exchange control regulations and approval at that point in time; and
- a paid press announcement giving full details, including the impact on net asset value and earnings per share, will be published at the time of any issue representing, on a cumulative basis within one financial year, 5% or more of the number of ordinary shares in issue prior to that issue, in terms of the Listings Requirements of the JSE.

The above general authority may additionally be used to issue shares required to be issued to support the conversion and/or exchange (as the case may be) of Basel III compliant additional Tier 1 and Tier 2 instruments issued by FSR or FirstRand Bank Limited as contemplated in the regulations published pursuant to the Banks Act, 1990 (published on 12 December 2012 as No. R. 12 1029 in Government Gazette No. 35950) (the Regulations) into FSR ordinary shares upon the occurrence of a trigger event as specified in writing by the Registrar of Banks or such other regulatory body in South Africa that has the authority to make such decisions.

Basel III requires that the terms and conditions of additional Tier 1 and Tier 2 capital instruments contain a provision that such instruments, at the option of the Registrar of Banks, either be written off or converted into ordinary shares upon the occurrence of a trigger event. The Regulations further require that FSR must at all times maintain all prior authorisations necessary to immediately issue the relevant number of ordinary shares specified in the terms and conditions of the additional Tier 1 and Tier 2 capital instruments and/or in terms of the provisions of the Banks Act, 1990 and the Regulations dealing with additional Tier 1 and/or Tier 2 capital should the relevant trigger event occur. It is FSR's intention to issue additional Tier 1 and/or Tier 2 capital instruments and the purpose of the above resolution is to give effect to these requirements.

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

9 Ordinary resolution number 5

Signing authority

Resolve that each director, or the company secretary of the company, be and is hereby authorised to do all such things and sign all such documents as may be necessary for, or incidental to the implementation of the resolutions passed at the AGM of the company and set out in this notice.

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

Additional Information in respect of ordinary resolution number 5

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

10 Special resolution number 1

General authority to repurchase ordinary shares

Resolved that the company and/or its subsidiaries be and are hereby authorised, in terms of a general authority, to acquire, as contemplated in section 48 of the Act, read with section 46, as amended, the company's issued shares from time to time on such terms and conditions and in such amounts as the directors may from time to time decide, but always subject to the approval, to the extent required, of the Registrar of Banks, the provisions of the Act, the Banks Act, the MOI and the Listings Requirements of the JSE and NSX, and subject to the following conditions:

- this general authority will be valid only until the company's next annual general meeting, provided that it will not extend beyond 15 months from the date of the passing of this special resolution, whichever is shorter;
- the repurchase of securities will be effected through the main order book operated by the JSE trading system and done without any prior understanding or arrangement between the company and the counterparty;
- repurchases may not be made at a price greater than 10% above the weighted average of the market value for the securities for the five business days immediately preceding the date on which the repurchase of such securities by the company is effected;
- the acquisitions of ordinary shares shall in the aggregate in any one financial year, not exceed 10% of the company's issued ordinary share capital as at the beginning of the financial year, provided that the number of shares purchased and held by a subsidiary/ies of the company shall not exceed 10% in aggregate of the number of issued shares in the company at any time;
- neither the company nor its subsidiaries will repurchase securities during a prohibited period, as defined in paragraph 3.67 of the Listings Requirements of the JSE, unless they have in place a repurchase programme where the dates and quantities of securities to be traded during the relevant period are fixed (not subject to any variation) and full details of the programme have been disclosed to the JSE prior to the commencement of the prohibited period, as required;
- a resolution having been passed by the board of directors confirming that the board has authorised the repurchase, that the group passed the solvency and liquidity test and that since the test was done there have been no material changes to the financial position of the company;
- any such general repurchases are subject to exchange control regulations and approval at that point in time;
- when the company has cumulatively repurchased 3% of the initial number of the relevant class of securities, and for each 3% in aggregate of the initial number of that class acquired thereafter, an announcement shall be published on SENS and in the financial press; and
- at any point in time the company shall appoint only one agent to effect any repurchase(s) on its behalf.

The percentage of voting rights required for this special resolution number 1 to be adopted is at least 75% (seventy five percent) of the voting rights exercised on the resolution.

Additional information in respect of special resolution number 1

The reason for special resolution number 1 is to grant the company's directors a general authority, up to and including the date of the following annual general meeting of the company, to approve the company's purchase of shares in itself, or to permit a subsidiary of the company to purchase shares in the company.

The directors have no immediate intention to use this authority to repurchase company shares. The directors are, however, of the opinion that this authority should be in place should it become appropriate to undertake a share repurchase in the future.

The directors undertake that the company will not commence a general repurchase of shares as contemplated above unless:

- the company and the group will be in a position to repay its debts in the ordinary course of business for a period of 12 months after the date of the general repurchase of shares in the open market;
- the assets of the company and the group will be in excess of the liabilities of the company and the group for a period of 12 months after the date of the general repurchase of shares in the open market, for which purpose the assets and liabilities will be recognised and measured in accordance with the accounting policies used in the latest audited consolidated annual financial statements which comply with the Act;
- the ordinary share capital and reserves of the company and the group will be adequate for ordinary business purposes for the 12 months after the general repurchase of shares in the open market;
- the available working capital will be adequate to continue the operations of the company and the group for a period of 12 months after the repurchase of shares in the open market; and
- a resolution has been passed by the board of directors authorising the repurchase and confirming that the company and its subsidiary/ies have passed the solvency and liquidity test and that, since the test was performed, there have been no material changes to the financial position of the group; and
- special resolution 1, as required by the Listings Requirements of the JSE is set out in Annexure 2.

11 Special resolution number 2.1

Financial assistance to directors and prescribed officers as employee share scheme beneficiaries

Resolved that the directors may, subject to compliance with the requirements of the MOI, the Act and any other relevant legislation, the JSE and NSX, when applicable, each as presently constituted and as amended from time to time, authorise the company to provide direct or indirect financial assistance (as contemplated in sections 44 and/or 45 of the Act) to, *inter alia*, any director or prescribed officer of the company or of a related or interrelated company on such terms and conditions as the directors may determine from time to time in order to facilitate the participation by such director or prescribed officer in any employee share incentive scheme, provided that nothing in this approval will limit the provision by the company of financial assistance that does not require approval by way of a special resolution of the shareholders in terms of sections 44 and/or 45 of the Act or falls within the exemptions contained in those sections.

The percentage of voting rights required for this special resolution number 2.1 to be adopted is at least 75% (seventy five percent) of the voting rights exercised on the resolution.

Additional information in respect of special resolution 2.1

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

12 Special resolution number 2.2

Financial assistance to related and interrelated entities

Resolved that the directors may, subject to compliance with the requirements of the MOI, the Act and any other relevant legislation, the JSE and NSX, when applicable, each as presently constituted and as amended from time to time, authorise the company to provide direct or indirect financial assistance (as contemplated in sections 44 and/or 45 of the Act) to, *inter alia*, any related or interrelated company, trust or other entity on such terms and conditions as the directors may determine from time to time, provided that nothing in this approval will limit the provision by the company of financial assistance that does not require approval by way of a special resolution of the shareholders in terms of sections 44 and/or 45 of the Act or falls within the exemptions contained in those sections.

The percentage of voting rights required for this special resolution number 2.2 to be adopted is at least 75% (seventy five percent) of the voting rights exercised on the resolution.

Additional information in respect of special resolution number 2.2

Companies within the group receive and provide loan financing and other support to one another in the normal and ordinary course of business from time to time.

13 Special resolution number 3

Remuneration of non-executive directors

Resolved to approve as a special resolution in terms of section 66(9) of the Act that non-executive directors' remuneration (due to the applicable directors for services rendered by them in their capacities as such) be paid as follows with effect from 1 December 2015.

	Note	Proposed remuneration for the 12-month period from 1 December 2015 to 30 November 2016	USD fee for foreign domiciled directors[3]	Remuneration for the 12-month period from 2 December 2014 to 1 December 2015
Board				
Chairman	1	**5 100 000**		4 793 000
Director	2	**472 500**	108 500	444 000
Audit committee				
Chairman	4	**675 000**		636 000
Member	5	**337 500**	77 500	250 000
Risk, capital management and compliance committee				
Chairman	4	**675 000**		636 000
Member	5	**337 500**	77 500	250 000
Remuneration committee				
Chairman	4	**351 000**		341 000
Member	6	**175 500**	40 000	139 100
Directors' affairs and governance committee				
Chairman	4	**129 600**		109 000
Member	6	**64 800**	15 000	54 377
Large exposures committee				
Chairman	4	**446 580**		
Member	7	**223 290**	51 000	
Social and ethics committee				
Chairman	4	**259 200**		
Member	7	**129 600**	30 000	
Transformation monitoring committee				
Chairman	4	**194 400**		141 000
Member	8	**97 200**	22 500	71 000
***Ad hoc* work**				
Special technical	9	**4 135**	600	
Standard	10	**2 700**	400	3 900

1. *The group chairman's fees covers chairmanship and membership of all board committees and subcommittees.*
2. *Executive directors of the company do not receive fees as members of the board.*
3. *Fees paid to members of the board domiciled outside of South Africa are approximately 2.75 x the standard rate.*
4. *Fees for board committee chairman are twice that of committee member's fees.*
5. *Due to extensive legislation and compliance requirements, these fees have been adjusted in line with increased workload.*
6. *Directors' affairs and governance committee and remuneration committee fees adjusted in line with market norms and workload.*
7. *Large exposures committee and social and ethics committee fees adjusted in line with increased workload of number of meeting to four full meetings a year and increase in duration of meetings.*
8. *Transformation committee fees adjusted in line with market norms and workload expectations.*
9. *Special technical rate for highly specialised ad hoc work at the request of the board.*
10. *Standard ad hoc rate for additional work at the request of the responsible executive.*

14 Special resolution number 4

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

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

Reasons and effects of special resolution number 4

The reason for special resolution number 4 is to bring the company's incorporation documents into harmony with the provisions of the revised JSE Listings Requirements. The company has also used this opportunity to do a thorough review of the contents of the existing MOI and to update, amend or omit parts thereof as necessary.

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

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

Additional information in respect of special resolution number 4

- Sections 16(1)(c)(ii) and 16(5)(a) of the Companies Act provides that a company's MOI may be amended at any time if a special resolution to amend it is adopted at a shareholders' meeting. The amendment may take the form of a new MOI in substitution for the existing MOI.
- The JSE has revised its requirements for the MOI of a listed company and requires companies to amend their MOI so as to comply with the new requirements. In order to ensure compliance with the Companies Act and the Listings Requirements, and to optimise its governance processes in the changed regulatory environment, the company conducted a review of the current MOI and accordingly prepared the proposed MOI in substitution thereof.
- The amended new MOI has been approved by the board, JSE and the Registrar of Banks and the board's intention is for the shareholders to pass a special resolution adopting the new MOI in substitution for the existing MOI.
- Special resolution number 4 is proposed to enable the company to adopt a new MOI that will be in line with the requirements of new the JSE Listings Requirements and any applicable legislation. In addition to the new JSE Listings Requirements, developments in market practice require a substantial number of changes to the existing MOI of the company. Accordingly, it is considered more appropriate to adopt the proposed new MOI rather than to amend the existing MOI. The principal changes being proposed in the proposed MOI are summarised in Annexure 1. *Other changes, which are of a minor technical or clarifying nature, have not been noted in Annexure 1*. The proposed MOI will substitute the company's current MOI in its entirety.
- In compliance with Section 65(4) of the Companies Act, an explanatory note identifying the salient differences between the current MOI and the proposed MOI is contained in Annexure 1. As the aforementioned explanatory note is not an exhaustive list of the differences between the current MOI and the proposed MOI, shareholders are advised to review the current MOI and proposed MOI prior to this annual general meeting, both the current MOI and the proposed MOI will be available for inspection from the date of issue of the notice to the date of the annual general meeting, being Tuesday, 1 December 2015, at both (i) the registered office of the company during office hours, being 4 Merchant Place, Corner Fredman Drive and Rivonia Road, Sandton, 2196 and (ii) on the company's website, being www.firstrand.co.za.
- Please note that the summary referred to above is intended for information purposes only, and is not intended as a substitute for the thorough perusal of the document to which it relates. The entire MOI under consideration of this special resolution is posted on the company's website, www.firstrand.co.za, on its home page.

Important notes regarding attendance at the annual general meeting

General

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

Certificated shareholders and own name dematerialised shareholders

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

Proxy forms are to be forwarded to reach the registered office of the company's transfer secretaries by 09:00 on Friday, 27 November 2015. Before a proxy exercises any rights of a shareholder at the meeting, such form of proxy must be so delivered. Any forms of proxy not lodged by this time must be handed to the chairman of the meeting immediately prior to the meeting.

Dematerialised shareholders other than with own name registration

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

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

Voting
Voting will be by way of a poll and every shareholder of the company present in person or represented by proxy shall have one vote for every share held in the company by such shareholder.

Shares held by FirstRand employee share trusts and unlisted shares will not have their votes at the meeting taken into account for the purposes of resolutions proposed in terms of the JSE Listings Requirements and the Act.

Proof of identification required
In compliance with section 63 of the Act, kindly note that meeting participants (including proxies) are required to provide reasonably satisfactory identification before being entitled to attend or participate in a shareholders' meeting. Forms of identification include valid identity documents, drivers' licences and passports.

Summary of shareholder rights

In compliance with the provisions of section 58(8)(b)(i) of the Act, a summary of the rights of a shareholder to be represented by proxy, as set out in section 58 of the Act, is set out immediately below:

- A shareholder entitled to attend and vote at the meeting may appoint any individual (or two or more individuals) as a proxy or as proxies to attend, participate in and vote at the meeting in the place of the shareholder. A proxy need not be a shareholder of the company.
- A proxy appointment must be in writing, dated and signed by the shareholder appointing a proxy, and, subject to the rights of a shareholder to revoke such appointment (as set out below), remains valid only until the end of the meeting.
- A proxy may delegate the proxy's authority to act on behalf of a shareholder to another person, subject to any restrictions set out in the instrument appointing the proxy.
- The appointment of a proxy is suspended at any time and to the extent that the shareholder who appointed such proxy chooses to act directly and in person in the exercise of any rights as a shareholder.

The appointment of a proxy is revocable by the shareholder in question cancelling it in writing, or making a later inconsistent appointment of a proxy, and delivering a copy of the revocation instrument to the proxy and to the company. The revocation of a proxy appointment constitutes a complete and final cancellation of the proxy's authority to act on behalf of the shareholder as of the later of (a) the date stated in the revocation instrument, if any; and (b) the date on which the revocation instrument is delivered to the company as required in the first sentence of this paragraph.

If the instrument appointing the proxy or proxies has been delivered to the company, as long as that appointment remains in effect, any notice that is required by the Act or the company's MOI to be delivered by the company to the shareholder, must be delivered by the company to (a) the shareholder, or (b) the proxy or proxies, if the shareholder has (i) directed the company to do so in writing; and (ii) paid any reasonable fee charged by the company for doing so.

Attention is also drawn to the notes to the form of proxy.

Directions for obtaining a copy of financial statements
A summarised form of the audited financial statements of the company is sent to shareholders with this notice. A copy of the comprehensive 2015 annual integrated report and the complete financial statements is available for viewing and downloading on FirstRand's website (www.firstrand.co.za) or a copy thereof can be requested in writing from the transfer secretaries, Computershare Investor Services (Pty) Ltd, 70 Marshall Street, Johannesburg, 2001 (PO Box 61051, Marshalltown, 2107), fax number (011) 688 5238 or in Namibia to Transfer Secretaries (Pty) Ltd, PO Box 2401, Windhoek, Namibia, fax number +264 6124 8531.

By order of the board

C Low
Company secretary

9 September 2015

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

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

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

The explanatory table below is to be read with the special resolution for the approval and adoption of the proposed MOI, which shall be tabled at the annual general meeting to be held on Tuesday, 1 December 2015 (or any adjournment or postponement thereof), and which seeks to identify some of the salient amendments made to the existing MOI in order to render them consistent with the provisions of the Companies Act, and all relevant provisions of the JSE Listings Requirements.

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

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

Accordingly, this document must be read in conjunction with the current MOI and the proposed MOI. Both the current MOI and the proposed MOI will be available for inspection from the date of issue of this notice to the date of the annual general meeting, being Tuesday, 1 December 2015, at both (i) the registered office of the company during office hours, being 4 Merchant Place, Corner Fredman Drive and Rivonia Road, Sandton, 2196 and (ii) on the company's website, being www.firstrand.co.za.

Clause	Subject	Existing regime in the current MOI	Proposed regime in MOI
1.1.10	**DEFINITIONS**	Replacing the definition of Security Services Act in Clause 1.1.20	"**Financial Markets Act**" means the Financial Markets Act, No 19 of 2012, including any amendment, consolidation or re-enactment thereof.
3.1	**SECURITIES EXCHANGES**	The ordinary Shares of the Company are, as at the date on which this Memorandum of Incorporation is adopted, listed on the JSE and the Namibian Stock Exchange. The Company may seek listings on such further securities exchanges as the Directors may consider appropriate from time to time.	The Shares of the Company are, as at the date on which this Memorandum of Incorporation is adopted, listed on the JSE and the Namibian Stock Exchange. In addition, the "B" variable rate non-cumulative non-redeemable preference shares with a par value of R0.01 (one cent) each in the share capital of the Company as contemplated in item 2 of Schedule 1 are listed on the JSE Stock Exchange. The Company may seek listings on such further securities exchanges as the Directors may consider appropriate from time to time.
3.2		For so long as the Shares of the Company are listed on any securities exchange in addition to the JSE, if the listing on the JSE is the primary listing and if the Company is obliged to obtain the approval of the JSE in regard to any matter, the Company shall, to the extent required, also obtain the consent at the same time of any other securities exchanges on which it is listed.	For so long as any shares of any class of the Company are listed on any securities exchange in addition to the JSE, if the listing on the JSE is the primary listing and if the Company is obliged to obtain the approval of the JSE in regard to any matter, the Company shall, to the extent required, also obtain the consent at the same time of any other securities exchanges on which it is listed.
4.1	**JURISTIC PERSONALITY**	The Company is a pre-existing company as defined in the Companies Act and, as such, continues to exist as a public company as if it had been incorporated and registered in terms of the Companies Act, as contemplated in item 2 of the Fifth Schedule to the Companies Act, and this Memorandum of Incorporation replaces and supersedes the Memorandum and Articles of Association of the Company applicable immediately prior to the filing hereof.	The Company is a pre-existing company as defined in the Companies Act and, as such, continues to exist as a public company as if it had been incorporated and registered in terms of the Companies Act, as contemplated in item 2 of the Fifth Schedule to the Companies Act, and this Memorandum of Incorporation replaces and supersedes the Memorandum of Incorporation of the Company applicable immediately prior to the filing hereof.

Clause	Subject	Existing regime in the current MOI	Proposed regime in MOI
7.11	**ISSUE OF SHARES AND VARIATION OF RIGHTS**	Subject to what may be authorised by the Companies Act, the JSE Listings Requirements and at meetings of Shareholders in accordance with clause 7.13, and subject to clause 7.12, the Board may only issue unissued ordinary Shares if such ordinary Shares have first been offered to existing Shareholders in proportion to their shareholding on such terms and in accordance with such procedures as the Board may determine, unless such ordinary Shares are issued for the acquisition of assets by the Company.	Subject to what may be authorised by the Companies Act, the JSE Listings Requirements and at meetings of Shareholders in accordance with clause 7.13, and subject to clause 7.12, the Board may only issue unissued Shares if such Shares have first been offered to existing Shareholders in proportion to their shareholding on such terms and in accordance with such procedures as the Board may determine, unless such Shares are issued for the acquisition of assets by the Company.
7.12		Notwithstanding the provisions of clauses 7.11 and 7.13, any issue of Shares, Securities convertible into Shares, or rights exercisable for Shares in a transaction, or a series of integrated transactions shall, in accordance with the provisions of the Companies Act, require the approval of the Shareholders by special resolution if the voting power of the class of Shares that are issued or are issuable as a result of the transaction or series of integrated transactions will be equal to or exceed 30% (thirty percent) of the voting power of all the Shares of that class held by Shareholders immediately before that transaction or series of integrated transactions.	Notwithstanding the provisions of clauses 7.11 and 7.13 -
7.12.1.1		**NEW CLAUSE**	an issue of Shares or Securities convertible into Shares, or a grant of options contemplated in section 42 of the Companies Act, or a grant of any other rights exercisable for Securities to a –
7.12.1.1.1		**NEW CLAUSE**	Director, future Director, prescribed officer, or future prescribed officer of the Company;
7.12.1.1.2		**NEW CLAUSE**	person related or inter-related to the Company or to a Director or prescribed officer of the Company; or
7.12.1.1.3		**NEW CLAUSE**	nominee of a person contemplated in clause 7.12.1.1.1 or 7.12.1.1.2, must be approved by a special resolution of the Shareholders as contemplated in section 41(1) of the Companies Act, read together with section 41(2) of the Companies Act; and

Clause	Subject	Existing regime in the current MOI	Proposed regime in MOI
7.12.1.2		**RENUMBERED AND AMENDED**	any issue of Shares, Securities convertible into Shares, or rights exercisable for Shares in a transaction, or a series of integrated transactions shall, in accordance with the provisions of section 41(3) of the Companies Act, require the approval of the Shareholders by special resolution if the voting power of the class of Shares that are issued or are issuable as a result of the transaction or series of integrated transactions will be equal to or exceed 30% (thirty percent) of the voting power of all the Shares of that class held by Shareholders immediately before that transaction or series of integrated transactions.
7.13		Notwithstanding the provisions of clause 7.11, the Shareholders may at a general meeting authorise the Directors to issue ordinary Shares of the Company at any time and/or grant options to subscribe for ordinary Shares as the Directors in their discretion think fit, provided that such transaction(s) has/have been approved by the JSE and comply with the JSE Listings Requirements.	Notwithstanding the provisions of clause 7.11, the Shareholders may at a general meeting authorise the Directors to issue Shares of the Company at any time and/or grant options to subscribe for Shares as the Directors in their discretion think fit, provided that such transaction(s) has/have been approved by the JSE and comply with the JSE Listings Requirements.
8.1	**CERTIFICATED AND UNCERTIFICATED SECURITIES**	Securities of the Company are to be issued in certificated or uncertificated form, as shall be determined by the Board from time to time. Except to the extent otherwise provided in the Companies Act, the rights and obligations of Security holders shall not be different solely on the basis of their Securities being Certificated Securities or Uncertificated Securities and each provision of this Memorandum of Incorporation applies with respect to any Uncertificated Securities in the same manner as it applies to Certificated Securities, unless otherwise stated or indicated by the context.	Pursuant to section 33(2) of the Financial Markets Act, the Company may only issue further listed Securities in uncertificated form. Except to the extent otherwise provided in the Companies Act, the rights and obligations of Security holders shall not be different solely on the basis of their Securities being Certificated Securities or Uncertificated Securities and each provision of this Memorandum of Incorporation applies with respect to any Uncertificated Securities in the same manner as it applies to Certificated Securities, unless otherwise stated or indicated by the context.
17.2	**ACQUISITION BY THE COMPANY OF ITS OWN SHARES**	Any decision by the Company to acquire its own Shares must satisfy the JSE Listings Requirements and the requirements of the Companies Act and, accordingly, the Company may not acquire its own ordinary Shares unless –	Any decision by the Company to acquire its own Shares must satisfy the JSE Listings Requirements and the requirements of the Companies Act and, accordingly, the Company may not acquire its own Shares unless –
19.6.4	**SHAREHOLDERS MEETINGS**	the sanctioning or declaration of distributions; and	the sanctioning or declaration of distributions, subject to the provisions of clause 37 and the Companies Act; and
21.1.3	**VOTES OF SHAREHOLDERS**	the holders of Securities other than ordinary Shares shall not be entitled to vote on any resolution at a meeting of Shareholders, except as provided in clause 21.2.	the holders of Securities other than Shares shall not be entitled to vote on any resolution at a meeting of Shareholders, except as provided in clause 21.2.

Clause	Subject	Existing regime in the current MOI	Proposed regime in MOI
21.10		**NEW CLAUSE**	All results of voting by the Shareholders on resolutions submitted to them shall be announced and disclosed by the Company as required by the JSE Listings Requirements.
24.4	**SHAREHOLDERS ACTING OTHER THAN AT A MEETING**	The provisions of this clause 24 shall not apply to any Shareholder meetings that are called in terms of the Listings Requirements or the passing of any resolution in terms of clause 25.2 or to any annual general meeting of the Company.	Save where specifically permitted by the JSE Listings Requirements, the provisions of this clause 24 shall not apply to any Shareholder resolutions that are required in terms of the JSE Listings Requirements or the passing of any resolution in terms of clause 25.2 or to any annual general meeting of the Company.
25.1	**COMPOSITION OF THE BOARD OF DIRECTORS**	In addition to the minimum number of Directors, if any, that the Company must have to satisfy any requirement in terms of the Companies Act to appoint an audit committee and a social and ethics committee, the Board must comprise at least 4 (four) Directors but not more than 24 (twenty four) Directors.	In addition to the minimum number of Directors, if any, that the Company must have to satisfy any requirement in terms of the Companies Act to appoint an audit committee and a social and ethics committee, the Board must comprise at least 6 (six) Directors but not more than 24 (twenty four) Directors.
25.7		Subject to the provisions of clause 27.1, the Directors shall rotate in accordance with the following provisions of this clause 25.7 –	Subject to the provisions of clause 27.1, the non-executive Directors (other than the chairperson) shall rotate in accordance with the following provisions of this clause 25.7 –
25.7.1		at each annual general meeting referred to in clause 19.4, 1/3 (one third) of the non-executive Directors for the time being, or if their number is not 3 (three) or a multiple of 3 (three), the number nearest to 1/3 (one third), but not less than 1/3 (one third), shall retire from office;	at each annual general meeting referred to in clause 19.4, 1/3 (one third) of the non-executive Directors (other than the chairperson) for the time being, or if their number is not 3 (three) or a multiple of 3 (three), the number nearest to 1/3 (one third), but not less than 1/3 (one third), shall retire from office;
25.7.2		the non-executive Directors to retire in every year shall be those who have been longest in office since their last election, but as between persons who were elected as Directors on the same day, those to retire shall, unless they otherwise agree among themselves, be determined by lot, provided that notwithstanding anything to the contrary contained in this Memorandum of Incorporation, if at the date of any annual general meeting any non-executive Director shall have held office for a period of 3 (three) years since his last election or appointment, he shall retire at such meeting either as one of the non-executive Directors to retire in pursuance of the aforegoing or additionally thereto;	the non-executive Directors to retire in every year in terms of clause 25.7.1 shall be those who have been longest in office since their last election, but as between persons who were elected as non-executive Directors on the same day, those to retire shall, unless they otherwise agree among themselves, be determined by lot, provided that notwithstanding anything to the contrary contained in this Memorandum of Incorporation, if at the date of any annual general meeting any non-executive Director (other than the chairperson) shall have held office for a period of 3 (three) years since his last election or appointment, he shall retire at such meeting either as one of the non-executive Directors to retire in pursuance of the aforegoing or additionally thereto;

Clause	Subject	Existing regime in the current MOI	Proposed regime in MOI
25.7.3		a retiring Director shall be eligible for re-election but no person, other than a Director retiring at the meeting, shall, unless recommended by the Directors, be eligible for election to the office of a Director at any general meeting unless not more than 13 (thirteen) but at least 6 (six) clear days before the day appointed for the meeting, there shall have been left at the Office, a notice in writing by some Shareholder duly qualified to be present and vote at the meeting for which such notice is given of his intention to propose such person for election and also notice in writing signed by the person to be proposed of his willingness to be elected (so that the period of days shall not include the day on which the notices are left at the Office or the day appointed for the meeting);	a retiring non-executive Director (as contemplated in this clause 25.7 shall be eligible for re-election but no person, other than a Director retiring at the meeting, shall be eligible for election to the office of a Director at any general meeting unless –
25.7.3.1		**NEW CLAUSE**	recommended by the Directors; or
25.7.3.2		**NEW CLAUSE**	any Shareholder (duly qualified to be present and vote at the meeting in question) delivers a written notice to the Office not more than 13 (thirteen) days, but not less than 6 (six) days, (excluding the day on which the notice is given and the day on which the meeting is to be held) before the day appointed for the relevant meeting, stating such Shareholder's intention to propose the relevant person for election as a Director, which notice shall include a written and signed notice by the such person being proposed stating his willingness to be elected as a Director;
25.9.1		an executive Director shall vacate his office at the close of the first annual general meeting of the Company after the Director reaches the age of 60 (sixty) years, provided that the Board shall have a discretion to extend that age on one or more occasions up to the financial year in which a Director reaches the age of 65 (sixty five) years; and	an executive Director shall vacate his office at the close of the first annual general meeting of the Company after such Director reaches the retirement age applicable to that Director in terms of his/her service contract with the Company or in terms of the Company's pensions fund or provident fund rules (as applicable), provided that the Board shall have a discretion to extend that age on one or more occasions for a period of up to 5 (five) years from the applicable Director's initial retirement age; and
25.10.1		is removed by an ordinary resolution adopted at a Shareholders meeting by the persons entitled to exercise voting rights in an election of that Director, and otherwise in accordance with any applicable provisions of the Companies Act;	is removed by an ordinary resolution adopted at a Shareholders meeting by the persons entitled to exercise voting rights in an election of that Director, and otherwise in accordance with any applicable provisions of the Companies Act; or

Clause	Subject	Existing regime in the current MOI	Proposed regime in MOI
25.10.2		is removed by a resolution of the Directors passed at a duly constituted meeting of the Directors convened either in the ordinary course or on not less than 48 (forty eight) hours' notice specifically for this purpose;	is removed by a resolution of the Directors passed at a duly constituted meeting of the Directors convened either in the ordinary course or on not less than 48 (forty eight) hours' notice specifically for this purpose; or
27.1	**EXECUTIVE DIRECTORS**	Subject to the provisions of the Banks Act, the Directors may from time to time appoint 1 (one) or more of their body to the office of Chief Executive Officer, Chief Financial Officer or Executive Director (with or without specific designation) of the Company or to another executive office ("Executive Director") with the Company for such term and at such remuneration as they may think fit (subject only to the requirements of the Companies Act, including those pertaining to qualifications of directors), and may revoke such appointment subject to the terms of any agreement entered into in any particular case and having regard to applicable law (including the provisions of the Companies Act pertaining to the removal of directors), provided that the period of office of an Executive Director appointed in terms of an agreement shall be for a maximum period of 5 (five) years at any one time. An Executive Director so appointed shall be subject to retirement in the same manner as the other Directors (who are not Executive Directors) except during the period of his agreement, and his appointment shall terminate if he ceases for any reason to be a Director.	Subject to the provisions of the Banks Act, the Directors may from time to time appoint 1 (one) or more of their body to the office of Chief Executive Officer, Financial Director or Executive Director (with or without specific designation) of the Company or to another executive office ("Executive Director") with the Company for such term and at such remuneration as they may think fit (subject only to the requirements of the Companies Act, including those pertaining to qualifications of directors), and may revoke such appointment subject to the terms of any agreement entered into in any particular case and having regard to applicable law (including the provisions of the Companies Act pertaining to the removal of directors), provided that the period of office of an Executive Director appointed in terms of an agreement shall be for a maximum period of 5 (five) years at any one time. An Executive Director so appointed shall be subject to retirement in the same manner as the other Directors (who are not Executive Directors) except during the period of his agreement, and his appointment shall terminate if he ceases for any reason to be a Director.
29.2	**DIRECTORS' MEETINGS**	The Directors may elect a chairperson and a deputy chairperson and determine the period for which each is to hold office. The chairperson, or in his absence the deputy chairperson, shall be entitled to preside over all meetings of Directors. If no chairperson or deputy chairperson is elected, or if at any meeting neither is present or willing to act as chairperson thereof within 10 (ten) minutes of the time appointed for holding the meeting, the Directors present shall choose 1 (one) of their number to be chairperson of such meeting.	The Directors may elect a chairperson and a deputy chairperson from amongst their number and determine the period for which each is to hold office. The chairperson, or in his absence the deputy chairperson, shall be entitled to preside over all meetings of Directors. If no chairperson or deputy chairperson is elected, or if at any meeting neither is present or willing to act as chairperson thereof within 10 (ten) minutes of the time appointed for holding the meeting, the Directors present shall choose 1 (one) of their number to be chairperson of such meeting.
29.3		The Directors shall elect a lead independent Director in the event that the chairperson of the Board is not independent.	The Directors shall elect a lead independent Director from amongst their number in the event that the chairperson of the Board is not independent.

Clause	Subject	Existing regime in the current MOI	Proposed regime in MOI
41.1	**NOTICES**	All notices shall be given by the Company to each Shareholder entitled thereto and simultaneously to the Issuer Services Division of the JSE, and shall be given in writing in any manner authorised by the JSE Listings Requirements and the Regulations, and particularly Table CR 3 annexed to the Regulations. All notices shall, in addition to the above, be released through SENS provided that, in the event that the Shares or other Securities of the Company are not listed on the JSE, all the provisions of this Memorandum of Incorporation relating to the publication of notices via SENS shall no longer apply and such notices shall thereafter only be published in accordance with the provisions of the Companies Act.	All notices of annual/general meetings shall be given by the Company to each Shareholder entitled thereto and simultaneously to the Issuer Services Division of the JSE, and shall be given in writing in any manner authorised by the JSE Listings Requirements and the Regulations, and particularly Table CR 3 annexed to the Regulations. All details of the date, time and venue of an annual/general meeting shall, in addition to the above, be released through SENS provided that, in the event that the Shares or other Securities of the Company are not listed on the JSE, all the provisions of this Memorandum of Incorporation relating to the publication of notices via SENS shall no longer apply and such notices shall thereafter only be published in accordance with the provisions of the Companies Act.

ANNEXURE 2 – ADDITIONAL INFORMATION REGARDING SPECIAL RESOLUTION NUMBER 1

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

1 Share capital

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

Share capital of FirstRand	R thousand
Authorised	
6 001 688 450 ordinary shares of 1 cent each	60 017
198 311 550 A variable rate, convertible, cumulative redeemable preference shares of 1 cent each	1 983
100 000 000 B variable rate, convertible, non-cumulative non-redeemable preference shares of 1 cent each	1 000
100 000 000 C variable rate, convertible, non-cumulative redeemable preference shares of 1 cent each	1 000
100 000 000 D variable rate, cumulative redeemable preference shares of 1 cent each	1 000
Total authorised share capital	**65 000**
Issued	
5 609 488 001 ordinary shares of 1 cent each	56 095
Less: 1 422 629 treasury shares of 1 cent each	(14)
45 000 000 B variable rate, convertible, non-cumulative non-redeemable preference shares of 1 cent each	450
Total issued share capital	**56 531**
Share premium	
Ordinary shares	8 055 798
B variable rate, convertible, non-cumulative non-redeemable preference shares	4 519 000
Total share premium	**12 574 798**

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

2 Major shareholders

The following shareholders were directly or indirectly, beneficially and effectively interested in 5% or more of the share capital of the company as at the last practicable date.

	Shares held (thousands)	%
Shareholders holding more than 5%		
RMB Holdings Limited	**1 910 433**	**34.1**
Public Investment Corporation	**518 126**	**9.2**
FirstRand empowerment trust and related parties	**280 557**	**5.0**
Financial Securities Limited (Remgro)	**219 805**	**3.9**
Subtotal	**2 928 921**	**52.2**
Other	**2 680 567**	**47.8**
Total	**5 609 488**	**100.0**

3 Material changes

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

4 Directors' responsibility statement

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

FIRSTRAND

PROXY FORM – ORDINARY SHAREHOLDERS

FirstRand Limited
(Incorporated in the Republic of South Africa) (Registration number: 1966/010753/06) Share code: (JSE): FSR ISIN: ZAE000066304
JSE B preference share code: FSRP ISIN: ZAE000060141 NSX ordinary share code: FST (FirstRand or the company or FSR)

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

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

For completion by the aforesaid registered shareholders who hold ordinary shares of the company and who are unable to attend the 2015 annual general meeting of the company to be held in the Auditorium, FNB Conference and Learning Centre, 114 Grayston Drive, on Tuesday, 1 December 2015 at 09:00 (the annual general meeting).

I/We

Of (address)

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

1. Or, failing him/her

2. Or, failing him/her

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

	Insert an X or the number of votes exercisable (one vote per ordinary share)		
	In favour of	**Against**	**Abstain**
Ordinary resolution numbers 1.1 to 1.6 Re-election of directors by way of separate resolution: 1.1 JJ Durand			
1.2 PM Goss			
1.3 PK Harris			
1.4 WR Jardine			
1.5 EG Matenge-Sebesho			
1.6 AT Nzimande			
Ordinary resolution number 1.7 To re-elect director who has reached age 70: 1.7 VW Bartlett			
Ordinary resolution number 1.8 Vacancies filled by the directors during the year: 1.8 AP Pullinger			
Ordinary resolution number 1.9 Vacancies filled by the directors during the year: 1.9 PB Makosholo			
Ordinary resolution numbers 2.1 and 2.2 Appointment of auditor: 2.1 Deloitte & Touche			
Appointment of auditor: 2.2 PricewaterhouseCoopers Inc.			
Advisory endorsement of remuneration policy Endorsement of remuneration policy			
Ordinary resolution number 3 Placing the unissued ordinary shares under the control of the directors			
Ordinary resolution number 4 General authority to issue authorised but unissued ordinary shares			
Ordinary resolution number 5 Signing authority			

	Insert an X or the number of votes exercisable (one vote per ordinary share)		
	In favour of	**Against**	**Abstain**
Special resolution number 1 General authority to repurchase ordinary shares			
Special resolution number 2.1 Financial assistance to directors and prescribed officers as employee share scheme beneficiaries			
Special resolution number 2.2 Financial assistance to related and interrelated entities			
Special resolution number 3 Remuneration of non-executive directors with effect from 1 December 2015			
Special resolution number 4 Adoption of new Memorandum of Incorporation of the Company			

Signed at on 2015

Signature/s

Assisted by
(where applicable)

NOTES TO PROXY FORM

Use of proxies

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

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

Instructions on signing and lodging the proxy form:

Instructions on signing and lodging the proxy form:

1. A shareholder may insert the name of a proxy or the names of two alternative proxies of the shareholders' choice in the space/s provided overleaf, with or without deleting "the chairman of the annual general meeting", but any such deletion must be initialled by the shareholder. Should this space be left blank, the chairman of the annual general meeting will exercise the proxy. The person whose name appears first on the proxy form and who is present at the annual general meeting will be entitled to act as proxy to the exclusion of those whose names follow.
2. A shareholder's voting instructions to the proxy must be indicated by the insertion of the number of votes exercisable by that shareholder in the appropriate spaces provided overleaf. Failure to do so shall be deemed to authorise the proxy to vote or to abstain from voting at the annual general meeting as he/she thinks fit in respect of all the shareholder's exercisable votes. A shareholder or his/her proxy is not obliged to use all the votes exercisable by his/her proxy, but the total number of votes cast, or those in respect of which abstention is recorded, may not exceed the total number of votes exercisable by the shareholder of his/her proxy.
3. A minor must be assisted by his/her parent or guardian unless the relevant documents establishing his/her legal capacity are produced or have been registered by the transfer secretaries.
4. To be valid the completed proxy forms must be forwarded to reach the company's transfer secretaries, Computershare Investor Services (Pty) Ltd, 70 Marshall Street, Johannesburg, 2001 (PO Box 61051, Marshalltown, 2107), fax number (011) 688 5238 or in Namibia to Transfer Secretaries (Pty) Ltd, PO Box 2401, Windhoek, Namibia, fax number +264 6124 8531 by no later than 09:00 on Friday, 27 November 2015. Proxy forms may only be completed by shareholders who have not dematerialised their shares or who have dematerialised their shares with own name registration.
5. Documentary evidence establishing the authority of a person signing a proxy form in a representative capacity must be attached to the proxy form unless previously recorded by the transfer secretaries or waived by the chairman of the annual general meeting.
6. The completion and lodging of this proxy form shall not preclude the relevant shareholder from attending the annual general meeting, and speaking and voting in person thereat to the exclusion of any proxy appointed in terms hereof, should such shareholder wish to do so.
7. The completion of any blank spaces overleaf need not be initialled. Any alterations or corrections to this proxy form must be initialled by the signatory/ies.
8. The chairman of the annual general meeting may reject or accept any proxy form which is completed other than in accordance with these instructions, provided that he is satisfied as to the manner in which a shareholder wishes to vote.
9. A proxy may not delegate his/her authority to any other person.

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