FirstRand Bank

’18 analysis of financial results

for the year ended 30 June

about this report

This report covers the audited summary financial results of FirstRand Bank Limited (FRB or the bank) based on International Financial Reporting Standards (IFRS) for the year ended 30 June 2018.

The primary results and accompanying commentary are presented on a normalised basis as the bank believes this most accurately reflects its economic performance. The normalised results have been derived from the IFRS financial results.

Normalised results include a summary income statement, statement of comprehensive income and statement of financial position. A detailed description of the difference between normalised and IFRS results is provided on pages 87 and 88. Detailed reconciliations of normalised to IFRS results are provided on pages 96 and 97. Commentary is based on normalised results, unless indicated otherwise.

Jaco van Wyk, CA(SA), supervised the preparation of the annual financial statements and the summary financial results.

FirstRand Bank

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

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

contents

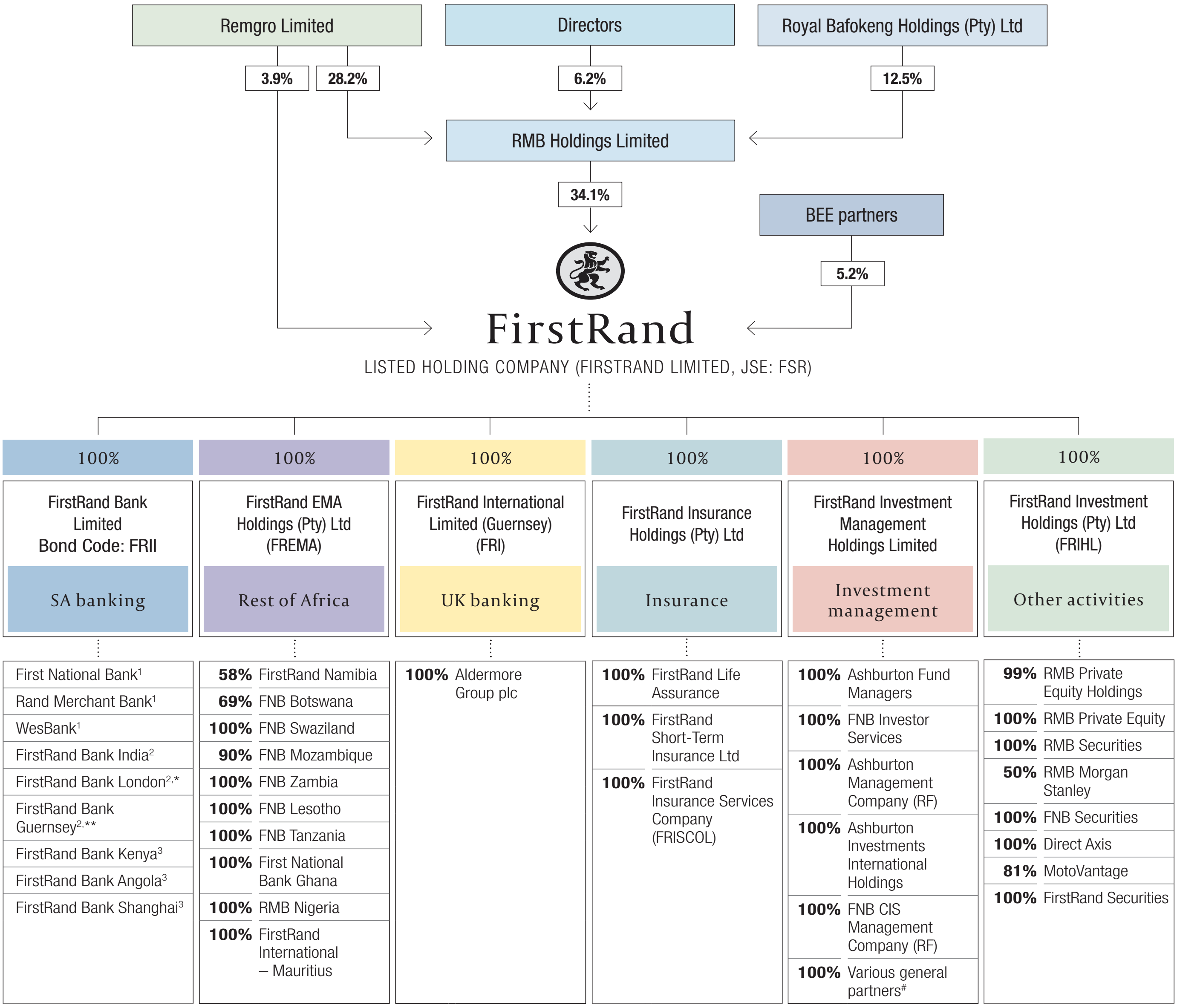
Overview of **results** 01

Income **statement analysis** 02

01 overview of results

03 – 31

Simplified group and shareholding structure



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

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

** *Trading as FNB Channel Islands.*

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

Structure shows effective consolidated shareholding

For segmental analysis purposes, entities included in FRIHL and FREMA, FirstRand Investment Management Holdings Limited and FirstRand Insurance Holdings (Pty) Ltd are reported as part of the results of the managing business (i.e. FNB, RMB, WesBank or FCC). The group's securitisations and conduits are in FRIHL, FRI and FirstRand Bank Ltd.

FirstRand Bank

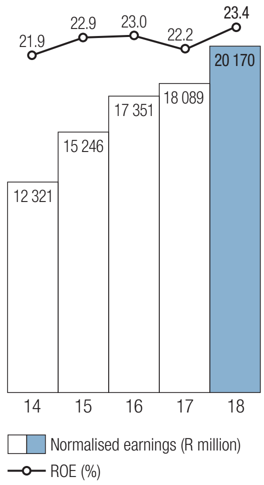
FirstRand Bank (FRB or the bank) is a wholly-owned subsidiary of FirstRand Limited (FirstRand or the group), which is listed on the Johannesburg Stock Exchange (JSE) and the Namibian Stock Exchange (NSX). The bank provides a comprehensive range of retail, commercial, corporate and investment banking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

NORMALISED EARNINGS ▲12% 2017: 4%	NORMALISED RETURN ON EQUITY 23.4% 2017: 22.2%	NORMALISED RETURN ON ASSETS 1.76% 2017: 1.71%
CET1 RATIO 12.7% 2017: 14.1%	LCR RATIO 118% 2017: 105%	NSFR RATIO 111% 2017: N/A
ADVANCES (net of impairments) ▲6% 2017: 5%	NPLS AS % OF ADVANCES 2.47% 2017: 2.27%	CREDIT LOSS RATIO 0.80% 2017: 0.88%

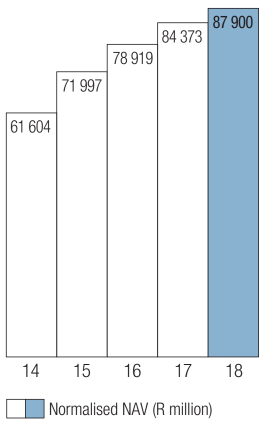
FNB RMB WesBank

Track record

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



NORMALISED
NET ASSET VALUE *(R million)*
CAGR 9%



Key financial results, ratios and statistics – normalised

This section is based on normalised results. A detailed reconciliation between IFRS and normalised results is set out on pages 96 and 97.

R million	2018	2017	% change
Earnings performance			
Attributable earnings – IFRS (refer page 90)	**20 283**	18 300	11
Headline earnings	**20 076**	18 269	10
Normalised earnings	**20 170**	18 089	12
Normalised net asset value	**87 900**	84 373	4
Tangible normalised net asset value	**87 517**	84 140	4
Average normalised net asset value	**86 137**	81 646	5
Capital adequacy* – IFRS			
Capital adequacy ratio (%)	**16.8**	17.3	
Tier 1 ratio (%)	**12.8**	14.3	
Common Equity Tier 1 ratio (%)	**12.7**	14.1	
Balance sheet			
Normalised total assets	**1 203 877**	1 082 151	11
Advances (net of credit impairments)	**843 806**	799 419	6
Ratios and key statistics			
ROE (%)	**23.4**	22.2	
ROA (%)	**1.76**	1.71	
Average loan-to-deposit ratio (%)	**90.3**	93.5	
Diversity ratio (%)	**42.5**	42.5	
Credit impairment charge	**6 659**	6 984	(5)
NPLs as % of advances	**2.47**	2.27	
Credit loss ratio (%)	**0.80**	0.88	
Specific coverage ratio (%)	**36.2**	38.6	
Total impairment coverage ratio (%)	**72.8**	80.3	
Performing book coverage ratio (%)	**0.93**	0.97	
Cost-to-income ratio (%)	**54.3**	54.4	
Effective tax rate (%)	**23.0**	22.9	
Number of employees	**36 449**	35 979	1

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

Summary income statement – normalised

for the year ended 30 June

R million	2018	2017	% change
Net interest income before impairment of advances	**42 746**	39 849	7
Impairment charge	**(6 659)**	(6 984)	(5)
Net interest income after impairment of advances	**36 087**	32 865	10
Non-interest revenue	**31 602**	29 506	7
– Fee and commission income	**23 275**	21 203	10
– Insurance commission income	**988**	996	(1)
– Markets, client and other fair value income	**3 210**	3 692	(13)
– Investment income	**485**	137	>100
– Other non-interest revenue	**3 644**	3 478	5
Income from operations	**67 689**	62 371	9
Operating expenses	**(40 378)**	(37 721)	7
Income before tax	**27 311**	24 650	11
Indirect tax	**(805)**	(876)	(8)
Profit before tax	**26 506**	23 774	11
Income tax expense	**(6 102)**	(5 448)	12
Profit for the year	**20 404**	18 326	11
NCNR preference shareholders	**(234)**	(237)	(1)
Normalised earnings attributable to ordinary equityholders of the bank	**20 170**	18 089	12

Summary statement of other comprehensive income – normalised

for the year ended 30 June

R million	2018	2017	% change
Profit for the year	**20 404**	18 326	11
Items that may subsequently be reclassified to profit or loss			
Cash flow hedges	**185**	(150)	(>100)
Fair value gains/(losses) arising during the year	**325**	(141)	(>100)
Reclassification adjustments for amounts included in profit or loss	**(68)**	(67)	1
Deferred income tax	**(72)**	58	(>100)
Available-for-sale financial assets	**(731)**	(393)	86
Losses arising during the year	**(848)**	(483)	76
Reclassification adjustments for amounts included in profit or loss	**(144)**	(67)	>100
Deferred income tax	**261**	157	66
Exchange differences on translating foreign operations	**285**	(512)	(>100)
Gains/(losses) arising during the year	**285**	(512)	(>100)
Items that may not subsequently be reclassified to profit or loss			
Remeasurements on defined benefit post-employment plans	**122**	288	(58)
Gains arising during the year	**169**	400	(58)
Deferred income tax	**(47)**	(112)	(58)
Other comprehensive loss for the year	**(139)**	(767)	(82)
Total comprehensive income for the year	**20 265**	17 559	15
Attributable to			
Ordinary equityholders	**20 031**	17 322	16
NCNR preference shareholders	**234**	237	(1)
Total comprehensive income for the year	**20 265**	17 559	15

Summary statement of financial position – normalised

as at 30 June

R million	2018	2017
ASSETS		
Cash and cash equivalents	**71 511**	53 924
Derivative financial instruments	**41 386**	35 098
Commodities	**13 424**	14 380
Investment securities	**157 238**	127 972
Advances	**843 806**	799 419
– Advances to customers	**787 441**	752 479
– Marketable advances	**56 365**	46 940
Accounts receivable	**6 075**	5 651
Current tax asset	**94**	1
Amounts due by holding company and fellow subsidiaries	**52 419**	28 869
Property and equipment	**15 379**	14 928
Intangible assets	**383**	233
Deferred income tax asset	**2 162**	1 676
Total assets	**1 203 877**	1 082 151
EQUITY AND LIABILITIES		
Liabilities		
Short trading positions	**9 981**	15 211
Derivative financial instruments	**50 238**	43 660
Creditors, accruals and provisions	**14 194**	13 079
Current tax liability	**86**	123
Deposits	**977 258**	876 690
Employee liabilities	**10 178**	8 840
Other liabilities	**4 381**	4 225
Amounts due to holding company and fellow subsidiaries	**19 993**	14 580
Tier 2 liabilities	**26 668**	18 370
Total liabilities	**1 112 977**	994 778
Equity		
Ordinary shares	**4**	4
Share premium	**16 804**	16 804
Reserves	**71 092**	67 565
Capital and reserves attributable to ordinary equityholders	**87 900**	84 373
NCNR preference shares	**3 000**	3 000
Total equity	**90 900**	87 373
Total equity and liabilities	**1 203 877**	1 082 151

Flow of funds analysis – normalised

R million	June 2018 vs June 2017 12-month movement	June 2017 vs June 2016 12-month movement
Sources of funds		
Capital account movement (including profit and reserves)	**3 527**	5 454
Working capital movement	**(16 568)**	2 809
Short trading positions and derivative financial instruments	**(4 940)**	(1 149)
Deposits and long-term liabilities	**108 866**	50 975
Total	**90 885**	58 089
Application of funds		
Advances	**(44 387)**	(35 331)
Investments	**355**	(3 289)
Cash and cash equivalents	**(17 587)**	(2 927)
Investment securities (e.g. liquid asset portfolio)	**(29 266)**	(16 542)
Total	**(90 885)**	(58 089)

"FirstRand Bank produced strong growth in earnings and a superior ROE, underpinned by quality topline growth. FNB grew earnings 15%, on the back of growth in customers, volumes and balance sheet, and successful cross-sell strategies. RMB's diversified corporate and investment banking portfolio delivered a good performance in a challenging market. WesBank had a tough year, and its performance was further affected by MotoNovo securitisations.

ALAN PULLINGER
CEO

INTRODUCTION

FirstRand Limited is a portfolio of integrated financial services businesses operating in South Africa, certain markets in sub-Saharan Africa and the UK. Many of these businesses are leaders in their respective segments and markets, and offer a universal set of transactional, lending, investment and insurance products and services.

FirstRand can provide its customers with differentiated and competitive value propositions due to its unique and highly flexible model of leveraging the most appropriate brand, distribution channel, licence and operating platform available within the portfolio. FirstRand Bank represents the majority of these resources. This approach, which is underpinned by the disciplined allocation of financial resources and enabled by disruptive digital and data platforms, allows the group to fully optimise the franchise value of its portfolio. This has resulted in a long track record of consistent growth in high quality earnings, and superior and sustainable returns for shareholders.

The simplified group structure on page 03 outlines the group's various legal entities, including FRB.

GROUP STRATEGY

FirstRand's strategy accommodates a broad set of growth opportunities across the entire financial services universe from a product, market, segment and geographic perspective.

SOUTH AFRICA

Currently group earnings are tilted towards South Africa and are generated by FirstRand's large lending and transactional franchises, which have resulted in deep and loyal customer and client bases, and the group remains focused on protecting and growing these valuable banking businesses. FirstRand also believes that through the utilisation of the origination capabilities, operating platforms and distribution networks of these businesses, it can diversify through capturing a larger share of profits from providing savings, insurance and investment products.

The growth opportunity is significant given the annual flows to other providers from FNB's customer base alone. Through the manufacture and sale of its own insurance, savings and investment products, the group will, over time, offer differentiated value propositions for customers and generate new and potentially meaningful revenue streams.

The group's strategy to broaden its financial services offering also benefits the bank as it enables a comprehensive customer offering (which may include products and services offered off the group's insurance or asset management licences/platforms) that further entrenches the bank's relationship with its core transactional customers.

In South Africa, the bank continues to focus on protecting and growing its lending and transactional franchises:

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

REST OF AFRICA

The group's strategy outside of its domestic market includes growing its presence and offerings in nine markets in the rest of Africa where it believes it can organically build competitive advantage and scale over time.

In the rest of Africa, the bank's balance sheet is utilised in RMB's cross-border lending and trade finance activities. The group's subsidiaries in the rest of Africa form part of FirstRand EMA (Pty) Ltd (refer to the simplified group structure on page 03) and thus fall outside the bank.

UK

In the UK, the group has, over the past eight years, focused on organically transforming its existing business, MotoNovo, into the UK's third-largest independent used vehicle financier. In the year under review, the group took the decision to acquire Aldermore Group plc (Aldermore), a UK specialist lender, and is in the process of integrating the two businesses. FirstRand believes this will result in an appropriately diversified UK business, with an established and scalable local funding platform, that represents a more sustainable and less volatile business model. The group can also extract additional value for shareholders over the medium to longer term through introducing its successful financial resource management methodology, unlocking synergies between MotoNovo and Aldermore, and over the longer term, potentially building a transactional offering.

MotoNovo is currently a part of the bank's London branch and contributed R357 million (<2%) of the bank's total normalised earnings of R20 170 million for the year ended 30 June 2018.

Once MotoNovo has been fully integrated into Aldermore, which is not part of the bank, all new business written by MotoNovo will be funded through further scaling Aldermore's deposit and funding platform. MotoNovo's current loans will continue to be funded through existing funding mechanisms, but will be run down over time. As a result, MotoNovo will ultimately cease to form part of the bank.

THE MACROECONOMIC ENVIRONMENT

South Africa's macroeconomic operating environment for the year to June 2018 was characterised by two distinctly different six-month periods.

In the first half of the group's financial year, policy ambiguity and political uncertainty weighed on domestic risk appetite, economic activity, and investor and consumer sentiment. This was particularly acute following the medium-term budget policy statement in October 2017, and the resultant S&P downgrade of South Africa's local currency sovereign rating to below investment grade.

The macroeconomic environment in the second half of the group's financial year started more positively following the change in leadership of the ruling party, the appointment of President Ramaphosa as head of the government and a relatively investor-friendly cabinet reshuffle in February 2018. These changes allowed the country to avoid further downgrades and were followed by new board and management appointments at key state-owned enterprises (SOEs) and other government agencies. This resulted in improved foreign and domestic confidence.

It is clear, however, that progress on meaningful structural reform will be difficult and slow. GDP expanded only 1% over the first three quarters of the group's financial year, credit growth remained in the mid-single digits and the unemployment rate remained static. Relatively muted inflation did provide some support to household finances and this allowed the South African Reserve Bank (SARB) to cut interest rates 50 bps over the course of the year.

In the UK, macroeconomic uncertainty continued to be driven by Brexit (which will formally take effect at the end of March 2019). This has weighed somewhat on UK economic activity, although unemployment continued to drift lower and wages trended upwards, resulting in consumer demand and house prices holding up reasonably well.

OVERVIEW OF RESULTS

Against this mixed economic backdrop, FRB's portfolio of businesses produced a strong performance underpinned by quality topline growth, an improved credit performance and effective cost management. The bank continued to strengthen its balance sheet and protect its return profile. Normalised earnings for the year to 30 June 2018 increased 12% with a normalised ROE of 23.4%.

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

SOURCES OF NORMALISED EARNINGS

	Year ended 30 June				
R million	**2018**	**% composition**	2017	% composition	% change
FNB	**13 177**	**65**	11 415	63	15
RMB	**4 719**	**23**	4 105	23	15
WesBank	**1 751**	**9**	2 313	13	(24)
FCC (including Group Treasury) and other*	**757**	**4**	493	2	54
NCNR preference dividend	**(234)**	**(1)**	(237)	(1)	(1)
Normalised earnings	**20 170**	**100**	18 089	100	12

* *Includes capital endowment, the impact of accounting mismatches, interest rate management and foreign currency liquidity management.*

FNB's results reflect another strong operating performance driven by strong NIR growth on the back of ongoing customer gains and increased transactional volumes, and high quality net interest income (NII) growth, particularly from deposit generation.

RMB's portfolio also delivered a strong performance driven by good growth in high quality earnings, solid operational leverage and lower impairments.

WesBank's performance remained mixed with both the South African retail and UK VAF businesses posting declines in profits, whilst the personal loans business performed strongly and corporate delivered a solid performance.

FCC's performance benefited from an improved performance by Ashburton and lower operating costs.

NII increased 7% underpinned by good growth in deposits (+11%) and solid advances growth (+6%), offset by negative capital and deposit rate endowment following the 25 bps cuts in the repo rate in July 2017 and March 2018. Lending margins at FNB benefited from repricing new residential mortgage business and lower funding costs. Lending margins at RMB, however, remained under pressure from competition, particularly in investment-grade lending, and ongoing term funding pressures and liquidity costs. Both RMB and WesBank's corporate business continued to exercise discipline in origination to preserve returns.

NIR increased 7% and reflects good fee and commission income growth of 10%, supported by higher volumes across FNB's digital and electronic channels and increased customer numbers. The bank sold a minority shareholding in a private equity-related investment to a fellow subsidiary, which also supported NIR. This profit eliminates upon consolidation at a group level. Fee and commission income represents 74% of NIR.

Total cost growth of 7% was lower than the first half of the year, but continues to trend above inflation due to ongoing investment. Despite these cost pressures, the bank's cost-to-income ratio decreased marginally from 54.4% to 54.3% due to the resilient topline growth.

The bank's credit loss ratio of 80 bps was down year-on-year and remains well below the bank's through-the-cycle threshold, reflecting the positive impact of the bank's origination strategies and provisioning policies over the past two financial years. Many of the bank's lending books are trending in line with or better than expectations, particularly unsecured and corporate credit. The credit impairment charge decreased 5% and was impacted by the following factors:

- a decrease in corporate NPLs and credit impairments due to the work-out and write-off of certain NPL counters and proactive provisioning in prior years;
- a lower charge in residential mortgages, due to loss given default credit model recalibrations, despite higher NPL formation given cycle-driven normalisation;
- a continued deterioration in WesBank's SA VAF charge, mainly due to ongoing elevated arrears and NPLs and an increase in the emergence period;
- the MotoNovo credit loss ratio was impacted by significant securitisations during the year;
- an increase in FNB's commercial segment, reflecting new business strain which was expected given the continued growth in new customers, cross-sell and up-sell strategies and the impact of the ongoing drought in certain areas of South Africa; and
- higher NPLs in FNB card and personal loans, but in line with expectations given the strong book growth in the prior year, however, the charge benefited from active collection strategies.

Overall portfolio provisions remain in place and reflect continued conservative provisioning on the back of book growth and the still constrained macroeconomic operating environment in South Africa.

OPERATING REVIEWS

FNB

FNB represents the bank's activities in the retail and commercial segments in South Africa. It is growing its franchise on the back of a compelling customer offering that provides a broad range of innovative financial services products. FNB grew its pre-tax profits 16% to R18.3 billion.

FNB FINANCIAL HIGHLIGHTS

R million	2018	2017	% change
Normalised earnings	**13 177**	11 415	15
Normalised profit before tax*	**18 313**	15 855	16
Total assets	**374 290**	347 611	8
Total liabilities	**356 011**	331 885	7
NPLs (%)	**3.12**	2.97	
Credit loss ratio (%)	**1.00**	1.12	
Cost-to-income ratio (%)	**53.8**	54.5	

* *Includes FNB's activities in India, which were discontinued in 2017. 2018 includes a once-off profit in FNB India.*

SEGMENT RESULTS

R million	2018	2017	% change
Normalised profit before tax			
Retail	**10 816**	9 174	18
Commercial	**7 998**	7 122	12
FNB Africa*	**(501)**	(441)	14
Total FNB	**18 313**	15 855	16

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

FNB's performance reflects the success of its strategy to:

- grow and retain core transactional accounts;
- provide market-leading digital platforms to deliver cost effective and innovative transactional propositions to its customers;
- use its deep customer relationships and sophisticated data analytics to effectively cross-sell and up-sell a broad range of financial services products;
- apply disciplined origination strategies;
- provide innovative savings products to grow its retail deposit franchise; and
- right-size its physical infrastructure to achieve efficiencies.

Despite the negative endowment impact of the 25 bps cuts in the repo rate in July 2017 and March 2018, FNB's NII increased 9%, driven by good growth in both advances (+8%) and deposits (+11%).

FNB's focus on customer acquisition and cross-selling into its core transactional retail and commercial customer bases continues to be the main driver of both advances and deposit growth in the premium and commercial segments.

The table below unpacks the growth in advances and deposits on a segment basis. FNB's success in growing its deposit franchise, particularly in retail, continues to be driven by cross-sell and product innovation.

SEGMENT ANALYSIS OF ADVANCES AND DEPOSIT GROWTH

	Deposit growth		Advances growth	
Segments	%	R billion	%	R billion
Retail	**14**	**27.1**	**7**	**16.6**
– Consumer	**5**	**4.1**	**3**	**1.1**
– Premium	**19**	**23.0**	**7**	**15.5**
Commercial	**7**	**14.4**	**12**	**9.8**
Total FNB*	**11**	**41.5**	**8**	**26.4**

* *The discontinued activities of FNB India are excluded above.*

The mix of FNB's advances growth reflects its targeted, segment-specific origination strategies. Growth in the premium segment was driven by unsecured lending origination, whilst the consumer segment experienced ongoing strong demand in affordable housing. Commercial continued to benefit from strong cross-sell momentum and focused asset growth.

The tables below unpack advances at a product level per segment.

	Consumer		
	Advances		
R million	2018	2017	% change
Residential mortgages	**24 583**	22 480	9
Card	**9 056**	9 211	(2)
Personal loans	**7 024**	7 419	(5)
Retail other	**2 788**	3 199	(13)

	Premium		
	Advances		
R million	2018	2017	% change
Residential mortgages	**180 386**	173 018	4
Card	**18 084**	14 589	24
Personal loans	**10 137**	6 953	46
Retail other	**13 064**	11 664	12

	Commercial		
R million	2018	2017	% change
Advances	**93 962**	84 132	12

The strength and quality of FNB's transactional franchise is clearly demonstrated in the strong NIR growth of 10% resulting from good growth in customers (total up 4% to 8.15 million) and transaction volumes. Customer growth per segment is shown in the table below.

CUSTOMERS

	Year-on-year growth
Customer segment	Customer numbers %
Consumer	**3**
Premium	**17**
Commercial	**2**

Retail NIR growth of 11% reflects customer acquisition, transactional volumes and the first-time inclusion of wealth and investment management (WIM) activities in Premium, whilst the product rationalisation and pricing actions taken last year benefited consumer NIR growth. Overall fee and commission income benefited from transactional volume growth of 10% driven by FNB's digital and electronic channels, as can be seen from the table below.

CHANNEL VOLUMES

Thousands of transactions	2018	2017	% change
ATM/ADT	**243 023**	232 310	5
Internet banking	**205 200**	214 701	(4)
Banking app	**164 018**	99 410	65
Mobile (excluding prepaid)	**43 716**	43 818	–
Point of sale merchants	**496 673**	429 715	16
Card swipes	**785 405**	698 698	12

Cost growth is well controlled but continues to trend above inflation at 8%, mainly due to continued investment in diversification strategies. The cost-to-income ratio improved to 53.8% (2017: 54.5%).

Whilst FNB's overall bad debt charge was lower (R212 million), NPLs increased year-on-year (+13%), with the retail books tracking well within expectations at this point in the cycle. This reflects the quality of new business written, appropriate pricing strategies, the positive effect of cutbacks in higher risk origination buckets in prior periods and active collection strategies. NPL formation in the commercial book and FNB card are ticking up, as expected, given previous book growth and some residual pressure in the agricultural sector due to the drought. There was some cyclical normalisation in residential mortgage NPLs, which increased 11%, but this was expected given the low levels in previous years. Overall provisioning levels and overlays have increased.

RMB

RMB represents the bank's activities in the corporate and investment banking (CIB) segments in South Africa, the broader African continent and India. The strategy leverages an entrenched origination franchise and a growing market-making and distribution product offering to ensure delivery of an integrated CIB value proposition to corporate and institutional clients. This diversified business portfolio, coupled with a disciplined approach to balancing risk, return and growth, is designed to deliver sustainable earnings, balance sheet resilience and market-leading returns.

RMB FINANCIAL HIGHLIGHTS

R million	2018	2017	% change
Normalised earnings	**4 719**	4 105	15
Normalised profit before tax	**6 555**	5 708	15
Total assets	**406 976**	379 903	7
Total liabilities	**402 194**	374 323	7
Credit loss ratio (%)	**(0.04)**	0.24	
Cost-to-income ratio (%)	**52.4**	51.9	

RMB's diversified portfolio delivered a strong performance, with pre-tax profits increasing 15% to R6.6 billion, which was underpinned by high quality earnings and solid operational leverage. The business remains disciplined in its financial resource allocation to ensure preservation of returns and has maintained strong credit provisioning levels. The credit performance from RMB benefited from proactive provisioning in prior financial years and the write-off and work-out of certain NPL counters. The improvement in commodity prices and utilisation of existing provisions for the sovereign downgrade resulted in a release of impairments.

Notwithstanding the difficult operating environment, which included sovereign rating downgrades, RMB's continued focus on growing the bank's corporate and institutional client base and revenue pools underpinned the performance, with a strong contribution from investment banking and advisory activities. In addition, excellent cost discipline enabled continued investment into the enhancement of core platforms.

BREAKDOWN OF PROFIT CONTRIBUTION BY ACTIVITY*

	2018	2017	% change
Investment banking and advisory	**3 852**	3 285	17
Corporate and transaction banking	**1 253**	1 215	3
Markets and structuring	**1 087**	1 255	(13)
Investing**	**283**	37	>100
Investment management	**(88)**	(34)	>100
Other	**168**	(50)	(>100)
Total RMB	**6 555**	5 708	15

* *Refer to additional activity and business unit disclosure on page 30.*

** *The majority of investing activities are in FRIHL, and thus fall outside the bank.*

The investment banking and advisory activities delivered strong growth in an environment characterised by tough credit markets and low economic growth. This performance was underpinned by strong new deal origination, solid lending income and resilient fee income due to client mandates requiring advisory, capital markets and structuring activities, and lower credit impairments.

RMB's corporate and transactional franchise continued to focus on leveraging its platforms to grow product offerings locally, resulting in higher transactional volumes and average deposit balances. In addition, increased demand for working capital solutions supported the performance.

Markets and structuring activities faced a difficult local operating environment, which resulted in reduced appetite from large clients. The performance was further impacted by a weaker performance in the credit trading portfolio and an isolated operational event in the hard commodities portfolio. These results were partially offset by a robust fixed income performance.

Investing activities benefited from the sale of a minority private-equity related investment to a fellow subsidiary during the year. This profit eliminates at a group level on consolidation.

Other activities benefited from the reduction in losses in the legacy portfolios and higher endowment earned on capital invested, together with continued investment into the group's markets infrastructure platform.

WESBANK

WesBank represents the group's activities in instalment credit and related services in the retail, commercial and corporate segments of South Africa, and through MotoNovo in the UK. Through the Direct Axis brand, WesBank also operates in the unsecured lending market in South Africa. WesBank's leading position in its chosen markets is due to its longstanding alliances with leading motor manufacturers, suppliers and dealer groups, strong point-of-sale presence and innovative channel origination strategies.

WESBANK FINANCIAL HIGHLIGHTS

R million	2018	2017	% change
Normalised earnings	**1 751**	2 313	(24)
Normalised profit before tax	**2 432**	3 214	(24)
Total assets	**168 240**	170 523	(1)
Total liabilities	**165 781**	167 327	(1)
NPLs (%)	**5.37**	4.37	
Credit loss ratio (%)	**2.10**	1.80	
Cost-to-income ratio (%)	**50.2**	45.8	
Net interest margin (%)	**4.87**	4.99	

WesBank's pre-tax profits declined 24% year-on-year, primarily driven by the level of securitisations in the current year, resulting in less day-one future margin recognition in the current year. These amounts eliminate at a group level when the securitisation schemes are consolidated. Excluding this impact, pre-tax profits declined 21% year-on-year.

The local VAF business had a challenging year and, in the face of increasing competition, has focused on protecting its origination franchise and return profile through disciplined pricing. Its operating model and relationships strengthened with new partnerships secured with Isuzu, Mahindra, Haval and Opel.

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

BREAKDOWN OF PROFIT CONTRIBUTION BY ACTIVITY*

	2018	2017	% change
Normalised PBT			
VAF	**1 952**	2 758	(29)
– Retail SA	**1 036**	1 414	(27)
– MotoNovo**	**496**	1 010	(51)
– Corporate and commercial	**420**	334	26
Personal loans	**480**	456	5
Total WesBank	**2 432**	3 214	(24)

* *Refer to additional segmental disclosure on page 31.*

** *MotoNovo's profits decreased 51% in pound terms to £29 million.*

The performance of the SA VAF business was impacted by increased impairment levels, up from 1.55% in the prior year to 1.96%. The credit performance reflects some specific issues in the vehicle finance sector, such as increasing later stage arrears and NPL levels and increased securitisation transactions and top-ups. Overall NPLs continued to be impacted by lengthening recovery timelines and more customers opting for court orders for repossessions.

As explained at the half year, higher than expected NPLs in the self-employed and small business segments resulted from operational issues with some scorecards, including third-party data quality, and this issue continued to play out in the second half.

SA VAF was further impacted by margin pressure, partly due to increased competitive activity and WesBank's current focus on originating lower risk business, which is generally written at lower margins.

WesBank's personal loans business performed well on the back of strong advances growth of 10% year-on-year. Growth was achieved through optimisation of direct marketing channels and streamlining approval processes. Margins have stabilised post the NCAA rate caps and targeted risk cuts, and the impairment ratio has remained at 7.93%, in line with expectations. NPLs in the personal loans portfolio have increased due to a lengthening in write-off period in anticipation of the adoption of IFRS 9.

The local corporate business posted a strong operational performance, albeit off a low base and despite a general slowdown in the sectors served. Volumes have grown strongly in the SME and business segment due to greater collaboration with FNB commercial. Impairments reduced 27% year-on-year on the back of a 5% improvement in NPLs.

NIR growth largely tracked new business book growth.

MotoNovo's performance was impacted primarily by increased investment spend, margin pressure, rising credit impairments and the impact of securitisations, which eliminate on consolidation at a group level.

The lending margin pressure resulted from competitors benefiting from lower cost of funding. In addition, MotoNovo incurred costs related to building the online platform (findandfundmycar.com) and experienced some strain in the personal loans book due to its previous strategy of diversification.

FirstRand believes that some of these pressures will be alleviated when MotoNovo is integrated into Aldermore as it will no longer be disadvantaged from a cost of funds perspective and will not require further investment in diversification strategies given the mix of the Aldermore portfolio.

The MotoNovo credit performance is in line with expectations, particularly following a number of years of strong book growth. The business has taken specific actions regarding origination; these actions included targeted risk cuts and termination of certain origination relationships, which were resulting in higher risk new business. These actions also resulted in MotoNovo's new business production contracting 4% in pound terms (7% in rand terms). Increased NPLs and ongoing prudent provisioning resulted in an increase in the pound impairment ratio of 1.84% for the year under review (2017: 1.62%).

WesBank continues to control operational expenditure and improve efficiencies. Its cost-to-income ratio has, however, increased mainly due to increased investment.

SEGMENT ANALYSIS OF NORMALISED EARNINGS

	Year ended 30 June				
R million	2018	% composition	2017	% composition	% change
Retail	**8 867**	**44**	8 360	46	6
– FNB*	**7 418**		6 287		
– WesBank	**1 449**		2 073		
Commercial	**6 061**	**30**	5 368	30	13
– FNB	**5 759**		5 128		
– WesBank	**302**		240		
Corporate and investment banking	**4 719**	**23**	4 105	23	15
– RMB	**4 719**		4 105		
Other**	**523**	**3**	256	1	>100
– FCC (including Group Treasury) and elimination adjustments	**757**		493		
– NCNR preference dividend	**(234)**		(237)		
Normalised earnings	**20 170**	**100**	18 089	100	12

* *Includes FNB Africa, which relates to head office costs.*

** *Includes the central credit overlay.*

MANAGEMENT OF FINANCIAL RESOURCES

The management of the group's financial resources, which it defines as capital, funding and liquidity, and risk capacity, is a critical enabler of the achievement of FirstRand's stated growth and return targets, and is driven by the group's overall risk appetite. Forecast growth in earnings and balance sheet risk weighted assets is based on the group's macroeconomic outlook and evaluated against available financial resources, considering the requirements of capital providers, regulators and rating agencies. The expected outcomes and constraints are then stress tested, and the group sets financial and prudential targets through different business cycles and scenarios to enable FirstRand to deliver on its commitments to stakeholders at a defined confidence level.

The management of the group's financial resources is executed through Group Treasury and is independent of the operating businesses. This ensures the required level of discipline is applied in the allocation and pricing of financial resources. This also ensures that Group Treasury's mandate is aligned with the portfolio's growth, return and volatility targets to deliver shareholder value. The group continues to monitor and proactively manage a fast-changing regulatory environment and ongoing macroeconomic challenges.

The group adopts a disciplined approach to the management of its foreign currency balance sheet. The framework for the management of external debt takes into account sources of sovereign risk and foreign currency funding capacity, as well as the macroeconomic vulnerabilities of South Africa. The group employs a self-imposed structural borrowing limit and a liquidity risk limit more onerous than required in terms of regulations.

BALANCE SHEET STRENGTH

Capital and leverage position

Current targeted ranges and actual ratios are summarised below.

	Capital			Leverage
%	CET1	Tier 1	Total	Total
Regulatory minimum*	7.4	8.9	11.1	4.0
Targets	10.0 – 11.0	>12.0	>14.0	>5.0
Actual**	**12.7**	**12.8**	**16.8**	**6.8**

* *Excluding the bank-specific capital requirements, but including the countercyclical buffer requirement.*

** *Includes unappropriated profits.*

The year-on-year reduction in the bank's CET1 ratio of 140 bps resulted from:

- The acquisition of Aldermore by the group, which reduced the bank's CET1 ratio by 110 bps. This reduction relates to the payment of a dividend to the legal entity which acquired Aldermore to fund the goodwill and intangibles, as well as providing funding for the net asset value acquired.
- The local currency sovereign downgrade, which contributed 3% to RWA growth.
- Higher than expected RWA growth of 10% driven by the following:
  - significant advances growth late in the financial year on the back of certain RMB transactions;
  - increased high quality liquid assets (HQLA) in Group Treasury; and
  - strong growth in unsecured lending in FNB's premium segment.

Capital planning is undertaken on a three-year forward-looking basis, and the level and composition of capital is determined taking into account businesses' organic growth plans, corporate transactions and stress-testing scenario outcomes. In addition, the bank considers external issues that could impact capital levels, which include regulatory, accounting and tax changes, and macroeconomic conditions and outlook.

The bank continues to actively manage its capital composition and, to this end, issued R2.75 billion Basel III-compliant Tier 2 instruments in the domestic market, as well as $500 million in international markets during the year. This resulted in a more efficient capital structure, which is closely aligned with the bank's internal targets. It remains the group's intention to continue optimising its capital stack by issuing Additional Tier 1 and Tier 2 capital instruments in the domestic and/or international markets. This will ensure sustainable support for ongoing growth initiatives and compensates for the haircut applied to capital instruments that are not compliant with Basel III, as well as the maturity of existing Tier 2 instruments.

Liquidity position

Given the liquidity risk introduced by its business activities across various currencies and geographies, the group's objective is to optimise its funding profile within structural and regulatory constraints to enable its businesses to operate in an efficient and sustainable manner. Liquidity buffers are actively managed via the group's pool of high quality liquid assets that are available as protection against unexpected stress events or market disruptions as well as to facilitate the variable liquidity needs of the operating businesses. The composition and quantum of available sources of liquidity are defined by the behavioural funding liquidity at risk and the market liquidity depth of these 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 activities.

The bank exceeds the 90% (2017: 80%) minimum liquidity coverage ratio (LCR) requirement set out by the SARB with the bank's average LCR at 118% (2017: 105%). At 30 June 2018, the bank's average available HQLA sources of liquidity per the LCR amounted to R182 billion, up from R150 billion in the prior year.

The net stable funding ratio (NSFR) came into effect on 1 January 2018 with a regulatory requirement of 100%. At 30 June 2018, the bank's NSFR was 111%.

Regulatory update

The South African regulatory architecture has been transformed to create a regulatory framework that will support an effective resolution regime. The Financial Sector Regulation Act was signed into law during August 2017 and underpins the twin peaks regulatory system.

The twin peaks supervisory framework model reduces the number of agencies involved in supervision, with the establishment of two new regulatory agencies on 1 April 2018: the Prudential Authority (PA) in the SARB and a Financial Sector Conduct Authority (FSCA). Whilst the PA/SARB is responsible for monitoring and enhancing financial stability as part of its explicit financial stability mandate, the SARB will also be responsible for assisting with the prevention of systemic events by means of its designation as the Resolution Authority (RA).

In January 2018, a draft resolution framework was released to the banking industry for initial review following which it will be released to the public for general comment. This draft framework sets out the broad principles for the resolution of banks, systemically important non-bank financial institutions and holding companies of banks, and highlights the various legislative amendments required to ensure the framework is enforceable. Detailed definitions of key elements of the resolution framework are subject to finalisation, and directives or addendums to this framework will be published once finalised. The resolution plans will allow the PA to prepare for an event from which the group's recovery actions have failed or are deemed likely to fail. Bank resolution plans will be owned and maintained by the RA, but will require a significant amount of bilateral engagement and input from the individual banks to enable the RA to develop a customised plan that is most appropriate to each bank.

The Financial Sector Regulation Act further empowers the PA to designate a group of companies as a financial conglomerate as well as to regulate and supervise such designated financial conglomerates. The PA has released the following:

- draft set of financial conglomerate supervision prudential standards;
- draft criteria for the designation of financial conglomerates, and
- draft reporting template for an informal consultation process with the industry.

The draft standards provide an early signal to the industry and affected stakeholders on the approach to the regulation and supervision of designated financial conglomerates. Comments were due by the end of August 2018 and standards are expected to be implemented during the first half of 2019.

In addition, the Basel Committee on Banking Supervision (BCBS) finalised the Basel III reforms in December 2017, with specific focus on reducing the variability of risk weighted assets. The BCBS has agreed on a lengthy five-year transitional period, starting 1 January 2022. The PA has confirmed a similar transitional period for banks in South Africa. The 2017 reforms aim to address weaknesses identified during the global financial crisis, such as the credibility of the risk-based capital framework and to introduce constraints on the estimates banks use in the internal models for regulatory capital purposes. The impact on the bank capital position depends on the final implementation by the SARB given a level of national discretion, however, the group continues to participate in the BCBS quantitative impact studies to assess and understand the impact of such reforms. Based on the Basel guidelines, the group is expected to comfortably meet these requirements over the transitional period.

IFRS 9 AND IFRS 15

The bank adopted IFRS 9 and IFRS 15, retrospectively, with effect from 1 July 2018. The IFRS 9 programme is at present in the process of final internal approval and external audit validation.

The bank will provide detailed audited transitional disclosure regarding the impact of the adoption of IFRS 9 and IFRS 15 during November 2018.

At present, the bank believes the impact of adopting IFRS 9 and IFRS 15 will reduce the bank's CET 1 ratio at 30 June 2018 by between 35 and 45 bps, on a fully loaded basis.

PROSPECTS

Following the outcome of the ANC elective conference in December 2017 sentiment and markets staged a recovery and the outlook for South Africa remains more positive than it has been for some time. Given, however, the structural nature of many of South Africa's challenges the group believes that domestic fundamentals will not change quickly.

Global financial conditions will prevent the SARB from easing monetary policy despite the low growth outlook. This, combined with lower commodity prices and prospects of a slowdown in global growth next year, means that domestic economic activity will remain subdued in 2019. Against this backdrop, private sector activities such as corporate investment and household consumption will most likely remain under pressure.

In the medium to longer term, given the market leading positions of its businesses in South Africa and the growth strategies it is executing on, FirstRand considers itself strategically well positioned to benefit from renewed system growth. FNB's momentum is expected to continue on the back of customer and volume growth, and cross-sell and up-sell strategies will deliver.

In the UK, uncertainty over the outcome of Brexit continues to dominate the macroeconomic outlook and will continue to weigh on business and consumer confidence, which in turn will suppress investment spending to a certain degree. These ongoing headwinds, together with the wind-down of the in-force book after the integration of MotoNovo with Aldermore, will impact MotoNovo's growth trajectory.

The group expects to continue to deliver real growth in earnings and superior returns to shareholders.

EVENTS AFTER REPORTING PERIOD

DISCOVERY CARD

Subsequent to the year end, the group concluded a transaction with Discovery, through the issuance of preference shares, for the ultimate transfer and disposal of its remaining effective 25.01% interest in Discovery Card and Discovery Bank, respectively. The consideration of this transaction is R1.8 billion, which together with the preference share issuance of R1.3 billion in 2016, results in a total value unlock for FirstRand shareholders of approximately R3 billion. This transaction is expected to be concluded during the financial year ending 30 June 2019.

At 30 June 2018, FNB includes Discovery Card advances with a gross value of R4.3 billion which will also be transferred at carrying value.

BOARD CHANGES

Changes to the directorate are outlined below.

		Effective date
Appointments		
T Winterboer	Independent non-executive director	20 April 2018
M Vilakazi	COO	1 July 2018
Retirements		
BJ van der Ross	Independent non-executive director	30 November 2017
JH van Greuning	Independent non-executive director	30 November 2017
LL Dippenaar	Chairman and non-executive director	31 March 2018
JP Burger	CEO*	31 March 2018
PM Goss	Independent non-executive director	30 April 2018
PK Harris	Non-executive director	30 April 2018
Change in designation		
WR Jardine	Chairman	1 April 2018
JP Burger	Executive director	1 April 2018
AP Pullinger	CEO	1 April 2018
JP Burger*	Non-executive director	1 September 2018
JJ Durand	Alternate non-executive director	3 September 2018

* *JP Burger retired as CEO effective 31 March 2018. He remained an executive director until 31 August 2018 and became a non-executive director on 1 September 2018.*

WR JARDINE
Chairman

AP PULLINGER
CEO

C LOW
Company secretary

5 September 2018

Segment report

for the year ended 30 June 2018

	FNB							
	Retail							
R million	Residential mortgages	Card	Personal loans	Retail other	**Retail**	Commercial	FNB Africa*	**Total FNB**
Net interest income before impairment of advances	4 516	2 644	2 693	6 790	**16 643**	9 602	(33)	**26 212**
Impairment charge	(149)	(670)	(793)	(1 171)	**(2 783)**	(670)	2	**(3 451)**
Net interest income after impairment of advances	4 367	1 974	1 900	5 619	**13 860**	8 932	(31)	**22 761**
Non-interest revenue	390	2 059	814	10 203	**13 466**	7 646	813	**21 925**
Income from operations	4 757	4 033	2 714	15 822	**27 326**	16 578	782	**44 686**
Operating expenses	(1 804)	(2 142)	(938)	(11 204)	**(16 088)**	(8 537)	(1 281)	**(25 906)**
Income before tax	2 953	1 891	1 776	4 618	**11 238**	8 041	(499)	**18 780**
Indirect tax	(11)	(66)	(17)	(328)	**(422)**	(43)	(2)	**(467)**
Profit before tax	2 942	1 825	1 759	4 290	**10 816**	7 998	(501)	**18 313**
Income tax expense	(824)	(511)	(492)	(1 202)	**(3 029)**	(2 239)	132	**(5 136)**
Profit for the year	2 118	1 314	1 267	3 088	**7 787**	5 759	(369)	**13 177**
Attributable to								
Ordinary equityholders	2 118	1 314	1 267	3 088	**7 787**	5 759	(369)	**13 177**
NCNR preference shareholders	–	–	–	–	**–**	–	–	**–**
Profit for the year	2 118	1 314	1 267	3 088	**7 787**	5 759	(369)	**13 177**
Attributable earnings to ordinary shareholders	2 118	1 314	1 267	3 088	**7 787**	5 759	(369)	**13 177**
Headline earnings adjustments	–	–	–	–	**–**	–	–	**–**
Headline earnings	2 118	1 314	1 267	3 088	**7 787**	5 759	(369)	**13 177**
TRS and IFRS 2 liability remeasurement	–	–	–	–	**–**	–	–	**–**
Private equity realisations	–	–	–	–	**–**	–	–	**–**
IAS 19 adjustment	–	–	–	–	**–**	–	–	**–**
Normalised earnings	2 118	1 314	1 267	3 088	**7 787**	5 759	(369)	**13 177**

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

* *FNB Africa results reported above relate to head office costs. Earnings of the African subsidiaries form part of FREMA (see simplified group structure on page 03) and are not reported in bank.*

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

Refer to additional segment information on page 31.

RMB							
Investment banking	Corporate banking	Total RMB**	WesBank#	FCC (including Group Treasury) and other	FRB – normalised	Normalised adjustments	FRB – IFRS
4 338	1 585	**5 923**	**9 443**	**1 168**	**42 746**	(1 583)	**41 163**
105	(3)	**102**	**(3 540)**	**230**	**(6 659)**	–	**(6 659)**
4 443	1 582	**6 025**	**5 903**	**1 398**	**36 087**	(1 583)	**34 504**
6 205	1 667	**7 872**	**2 877**	**(1 072)**	**31 602**	2 085	**33 687**
10 648	3 249	**13 897**	**8 780**	**326**	**67 689**	502	**68 191**
(5 233)	(1 989)	**(7 222)**	**(6 186)**	**(1 064)**	**(40 378)**	(319)	**(40 697)**
5 415	1 260	**6 675**	**2 594**	**(738)**	**27 311**	183	**27 494**
(113)	(7)	**(120)**	**(162)**	**(56)**	**(805)**	–	**(805)**
5 302	1 253	**6 555**	**2 432**	**(794)**	**26 506**	183	**26 689**
(1 485)	(351)	**(1 836)**	**(681)**	**1 551**	**(6 102)**	(70)	**(6 172)**
3 817	902	**4 719**	**1 751**	**757**	**20 404**	113	**20 517**
3 817	902	**4 719**	**1 751**	**523**	**20 170**	113	**20 283**
–	–	**–**	**–**	**234**	**234**	–	**234**
3 817	902	**4 719**	**1 751**	**757**	**20 404**	113	**20 517**
3 817	902	**4 719**	**1 751**	**523**	**20 170**	113	**20 283**
–	–	**–**	**–**	**–**	**–**	(207)	**(207)**
3 817	902	**4 719**	**1 751**	**523**	**20 170**	(94)	**20 076**
–	–	**–**	**–**	**–**	**–**	(56)	**(56)**
–	–	**–**	**–**	**–**	**–**	259	**259**
–	–	**–**	**–**	**–**	**–**	(109)	**(109)**
3 817	902	**4 719**	**1 751**	**523**	**20 170**	–	**20 170**

Segment report continued
for the year ended 30 June 2018

	FNB							
	Retail							
R million	Residential mortgages	Card	Personal loans	Retail other	**Retail**	Commercial	FNB Africa**	**Total FNB**
Cost-to-income ratio (%)	36.8	45.5	26.7	65.9	**53.4**	49.5	>100	**53.8**
Diversity ratio (%)	7.9	43.8	23.2	60.0	**44.7**	44.3	>100	**45.5**
Credit loss ratio (%)	0.07	2.63	5.03	7.62	**1.08**	0.75	(1.47)	**1.00**
NPLs as a percentage of advances (%)	2.48	3.99	7.79	6.26	**3.20**	2.89	–	**3.12**
Income statement includes								
Depreciation	(3)	(4)	(1)	(1 510)	**(1 518)**	(47)	(2)	**(1 567)**
Amortisation	–	(9)	–	(40)	**(49)**	–	–	**(49)**
Impairment charges	–	–	–	(10)	**(10)**	(3)	(161)	**(174)**
Statement of financial position includes								
Advances (after ISP – before impairments)	204 969	27 140	17 161	15 852	**265 122**	93 962	–	**359 084**
NPLs net of ISP	5 075	1 082	1 337	992	**8 486**	2 714	–	**11 200**
Total deposits	543	1 632	8	224 942	**227 125**	207 388	–	**434 513**
Total assets	203 532	26 080	15 623	32 578	**277 813**	95 887	590	**374 290**
Total liabilities*	202 587	25 198	14 689	21 239	**263 713**	91 238	1 060	**356 011**
Capital expenditure	8	17	2	1 744	**1 771**	56	2	**1 829**

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

* *Total liabilities are net of interdivisional balances.*

** *FNB Africa results reported above relate to head office costs and FNB's activities in India. Earnings of the African subsidiaries form part of FREMA (see simplified group structure on page 03) and are not reported in bank.*

Refer to additional activity disclosure on page 30.

† *Refer to additional segment information on page 31.*

RMB							
Investment banking	Corporate banking	**Total RMB#**	**WesBank†**	FCC (including Group Treasury) and other	**FRB – normalised**	Normalised adjustments	**FRB – IFRS**
49.6	61.2	**52.4**	**50.2**	>100	**54.3**	–	**54.4**
58.9	51.3	**57.1**	**23.4**	(>100)	**42.5**	–	**45.0**
(0.05)	0.01	**(0.04)**	**2.10**	(0.03)	**0.80**	–	**0.80**
0.39	0.28	**0.37**	**5.37**	–	**2.47**	–	**2.47**
(133)	(7)	**(140)**	**(646)**	(13)	**(2 366)**	–	**(2 366)**
(35)	–	**(35)**	**(9)**	(1)	**(94)**	–	**(94)**
–	–	**–**	**(1)**	–	**(175)**	–	**(175)**
230 481	46 592	**277 073**	**166 693**	56 385	**859 235**	(281)	**858 954**
898	129	**1 027**	**8 956**	–	**21 183**	–	**21 183**
68 867	110 826	**179 693**	**50**	363 002	**977 258**	–	**977 258**
357 509	49 467	**406 976**	**168 240**	254 371	**1 203 877**	–	**1 203 877**
353 190	49 004	**402 194**	**165 781**	188 991	**1 112 977**	–	**1 112 977**
130	30	**160**	**1 442**	4	**3 449**	–	**3 449**

Segment report continued
for the year ended 30 June 2017

	FNB							
	Retail							
R million	Residential mortgages	Card	Personal loans	Retail other	**Retail**	Commercial	FNB Africa*	**Total FNB**
Net interest income before impairment of advances	3 829	2 486	2 700	6 317	**15 332**	8 704	3	**24 039**
Impairment charge	(285)	(699)	(1 071)	(1 062)	**(3 117)**	(531)	(15)	**(3 663)**
Net interest income after impairment of advances	3 544	1 787	1 629	5 255	**12 215**	8 173	(12)	**20 376**
Non-interest revenue	413	1 803	825	9 036	**12 077**	7 012	816	**19 905**
Income from operations	3 957	3 590	2 454	14 291	**24 292**	15 185	804	**40 281**
Operating expenses	(1 732)	(2 020)	(919)	(9 995)	**(14 666)**	(8 024)	(1 242)	**(23 932)**
Income before tax	2 225	1 570	1 535	4 296	**9 626**	7 161	(438)	**16 349**
Indirect tax	(10)	(62)	(15)	(365)	**(452)**	(39)	(3)	**(494)**
Profit before tax	2 215	1 508	1 520	3 931	**9 174**	7 122	(441)	**15 855**
Income tax expense	(619)	(422)	(426)	(1 102)	**(2 569)**	(1 994)	123	**(4 440)**
Profit for the year	1 596	1 086	1 094	2 829	**6 605**	5 128	(318)	**11 415**
Attributable to								
Ordinary equityholders	1 596	1 086	1 094	2 829	**6 605**	5 128	(318)	**11 415**
NCNR preference shareholders	–	–	–	–	**–**	–	–	**–**
Profit for the year	1 596	1 086	1 094	2 829	**6 605**	5 128	(318)	**11 415**
Attributable earnings to ordinary shareholders	1 596	1 086	1 094	2 829	**6 605**	5 128	(318)	**11 415**
Headline earnings adjustments	–	–	–	–	**–**	–	–	**–**
Headline earnings	1 596	1 086	1 094	2 829	**6 605**	5 128	(318)	**11 415**
TRS and IFRS 2 liability remeasurement	–	–	–	–	**–**	–	–	**–**
IAS 19 adjustment	–	–	–	–	**–**	–	–	**–**
Normalised earnings	1 596	1 086	1 094	2 829	**6 605**	5 128	(318)	**11 415**

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

* *FNB Africa results reported above relate to head office costs and FNB's activities in India. Earnings of the African subsidiaries form part of FREMA (see simplified group structure on page 03) and are not reported in bank.*

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

Refer to additional segment information on page 31.

RMB			WesBank#	FCC (including Group Treasury) and other	FRB – normalised	Normalised adjustments	FRB – IFRS
Investment banking	Corporate banking	Total RMB**					
4 022	1 484	5 506	9 205	1 099	39 849	(1 200)	38 649
(544)	(75)	(619)	(3 052)	350	(6 984)	–	(6 984)
3 478	1 409	4 887	6 153	1 449	32 865	(1 200)	31 665
6 211	1 671	7 882	2 781	(1 062)	29 506	1 443	30 949
9 689	3 080	12 769	8 934	387	62 371	243	62 614
(5 087)	(1 860)	(6 947)	(5 488)	(1 354)	(37 721)	52	(37 669)
4 602	1 220	5 822	3 446	(967)	24 650	295	24 945
(109)	(5)	(114)	(232)	(36)	(876)	–	(876)
4 493	1 215	5 708	3 214	(1 003)	23 774	295	24 069
(1 263)	(340)	(1 603)	(901)	1 496	(5 448)	(84)	(5 532)
3 230	875	4 105	2 313	493	18 326	211	18 537
3 230	875	4 105	2 313	256	18 089	211	18 300
–	–	–	–	237	237	–	237
3 230	875	4 105	2 313	493	18 326	211	18 537
3 230	875	4 105	2 313	256	18 089	211	18 300
–	–	–	–	–	–	(31)	(31)
3 230	875	4 105	2 313	256	18 089	180	18 269
–	–	–	–	–	–	(63)	(63)
–	–	–	–	–	–	(117)	(117)
3 230	875	4 105	2 313	256	18 089	–	18 089

Segment report continued
for the year ended 30 June 2017

	FNB							
	Retail							
R million	Residential mortgages	Card	Personal loans	Retail other	**Retail**	Commercial	FNB Africa**	**Total FNB**
Cost-to-income ratio (%)	40.8	47.1	26.1	65.1	**53.5**	51.1	>100	**54.5**
Diversity ratio (%)	9.7	42.0	23.4	58.9	**44.1**	44.6	99.6	**45.3**
Credit loss ratio (%)	0.15	3.05	7.43	7.27	**1.28**	0.66	2.90	**1.12**
NPLs as a percentage of advances (%)	2.33	3.89	8.54	5.77	**3.05**	2.71	17.95	**2.97**
Income statement includes								
Depreciation	(4)	(3)	(2)	(1 548)	**(1 557)**	(44)	(11)	**(1 612)**
Amortisation	–	(5)	–	(32)	**(37)**	–	(7)	**(44)**
Impairment charges	–	–	–	(9)	**(9)**	2	–	**(7)**
Statement of financial position includes								
Advances (after ISP – before impairments)	195 498	23 800	14 372	14 863	**248 533**	84 132	273	**332 938**
NPLs net of ISP	4 560	926	1 227	858	**7 571**	2 280	49	**9 900**
Total deposits	665	1 554	1	197 743	**199 963**	193 031	27	**393 021**
Total assets	194 044	22 877	12 997	32 428	**262 346**	84 546	719	**347 611**
Total liabilities*	193 562	22 143	12 273	21 717	**249 695**	81 032	1 158	**331 885**
Capital expenditure	4	19	1	2 076	**2 100**	189	–	**2 289**

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

* *Total liabilities are net of interdivisional balances.*

** *FNB Africa results reported above relate to head office costs and FNB's activities in India. Earnings of the African subsidiaries form part of FREMA (see simplified group structure on page 03) and are not reported in bank.*

Refer to additional activity disclosure on page 30.

† *Refer to additional segment information on page 31.*

RMB							
Investment banking	Corporate banking	**Total RMB#**	**WesBank†**	FCC (including Group Treasury) and other	**FRB – normalised**	Normalised adjustments	**FRB – IFRS**
49.7	59.0	**51.9**	**45.8**	>100	54.4	–	54.1
60.7	53.0	**58.9**	**23.2**	(>100)	42.5	–	44.5
0.25	0.20	**0.24**	**1.80**	(0.04)	0.88	–	0.88
0.50	0.09	**0.44**	**4.37**	–	2.27	–	2.27
(129)	(3)	**(132)**	**(552)**	(15)	(2 311)	–	(2 311)
(42)	–	**(42)**	**(5)**	(3)	(94)	–	(94)
–	(1)	**(1)**	**3**	–	(5)	4	(1)
227 642	39 545	**267 187**	**170 195**	43 958	814 278	(281)	813 997
1 137	35	**1 172**	**7 437**	–	18 509	–	18 509
74 577	102 444	**177 021**	**41**	306 607	876 690	–	876 690
337 744	42 159	**379 903**	**170 523**	184 114	1 082 151	–	1 082 151
333 737	40 586	**374 323**	**167 327**	121 243	994 778	–	994 778
839	9	**848**	**1 361**	3	4 501	–	4 501

Additional activity and business unit disclosure – RMB

	Year ended 30 June 2018						
R million	IB&A	C&TB	M&S	INV	IM	Other	Total
Normalised PBT							
Global Markets	**–**	**–**	**1 133**	**12**	**(88)**	**(186)**	**871**
Investment Banking Division	**3 627**	**–**	**–**	**18**	**–**	**–**	**3 645**
Private Equity	**–**	**–**	**–**	**253**	**–**	**–**	**253**
Other RMB	**225**	**–**	**(46)**	**–**	**–**	**354**	**533**
Investment banking	**3 852**	**–**	**1 087**	**283**	**(88)**	**168**	**5 302**
Corporate banking	**–**	**1 253**	**–**	**–**	**–**	**–**	**1 253**
Total RMB – 2018	**3 852**	**1 253**	**1 087**	**283**	**(88)**	**168**	**6 555**

	Year ended 30 June 2017						
R million	IB&A	C&TB	M&S	INV	IM	Other	Total
Normalised PBT							
Global Markets	–	–	1 280	–	(34)	(197)	1 049
Investment Banking Division	3 335	–	17	16	–	–	3 368
Private Equity	–	–	–	21	–	–	21
Other RMB	(50)	–	(42)	–	–	147	55
Investment banking	3 285	–	1 255	37	(34)	(50)	4 493
Corporate banking	–	1 215	–	–	–	–	1 215
Total RMB – 2017	3 285	1 215	1 255	37	(34)	(50)	5 708

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

Additional segmental disclosure – WesBank

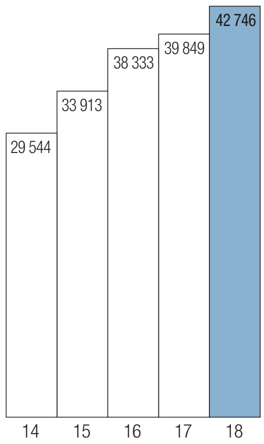
	Year ended 30 June 2018				
	VAF				
	Retail		Corporate and commercial	Personal loans	Total WesBank
R million	South Africa	MotoNovo (UK)			
NII before impairment of advances	4 183	1 938	610	2 712	9 443
Impairment of advances	(1 856)	(511)	(48)	(1 125)	(3 540)
Normalised profit before tax	1 036	496	420	480	2 432
Normalised earnings	746	357	302	346	1 751
Advances	94 171	25 514	32 149	14 859	166 693
NPLs (net of ISP)	6 572	340	244	1 800	8 956
Advances margin (%)	3.50	5.37	2.18	18.62	4.87
NPLs (%)	6.98	1.33	0.76	12.11	5.37
Credit loss ratio (%)	1.96	1.84	0.15	7.93	2.10

	Year ended 30 June 2017				
	VAF				
	Retail		Corporate and commercial	Personal loans	Total WesBank
R million	South Africa	MotoNovo (UK)			
NII before impairment of advances	4 056	2 171	557	2 421	9 205
Impairment of advances	(1 503)	(476)	(66)	(1 007)	(3 052)
Normalised profit before tax	1 414	1 010	334	456	3 214
Normalised earnings	1 018	727	240	328	2 313
Advances	95 285	30 029	31 364	13 517	170 195
NPLs (net of ISP)	5 662	172	258	1 345	7 437
Advances margin (%)	3.51	6.98	2.10	18.65	4.99
NPLs (%)	5.94	0.57	0.82	9.95	4.37
Credit loss ratio (%)	1.55	1.62	0.22	7.93	1.80

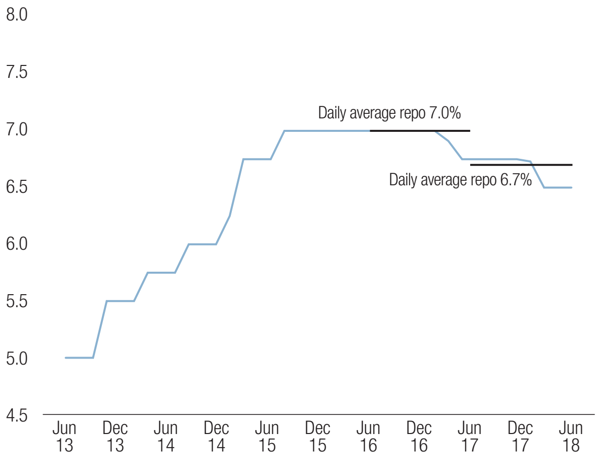
02 income statement analysis

Net interest income (before impairment of advances)

NET INTEREST INCOME
R million
CAGR 10%



REPO RATE
%



Note: R211 billion = average endowment book for the year. Rates were lower by 30 bps on average in the current year, which translates into a negative endowment impact of approximately R633 million for the year.

MARGIN CASCADE TABLE

Percentage of average interest-earning banking assets	%
2017 normalised margin	**5.11**
Capital and deposit endowment	(0.02)
– Volume	0.05
– Average rate	(0.07)
Interest earning assets	0.04
– Change in balance sheet mix	–
– Asset pricing	0.04
Liabilities	(0.03)
– Change in funding mix	0.08
– Deposit pricing	(0.11)
Group Treasury and other movements	0.07
– Accounting mismatches (MTM vs accrual on term issuance)	0.06
– Liquidity management	(0.01)
– Increase in HQLA and liquidity mismatches	(0.05)
– Term funding costs	0.04
– Interest rate management	0.02
– FX management	(0.04)
– Other NII in operating franchises	0.04
2018 normalised margin	**5.17**

ACTIVITY ANALYSIS OF NET INTEREST INCOME BEFORE IMPAIRMENT OF ADVANCES

	Year ended 30 June		
R million	**2018**	2017**	% change
Net interest income			
Lending	**19 967**	18 712	7
Transactional*	**15 205**	13 944	9
Deposits	**2 928**	2 866	2
Capital endowment	**5 187**	4 963	5
Group Treasury	**112**	30	>100
Other (negative endowment, e.g. fixed assets)	**(653)**	(666)	(2)
Total net interest income	**42 746**	39 849	7

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

** *Numbers restated to reflect refined allocation methodology for lending. For transactional and deposit NII there has been a reallocation between segments to better reflect the nature of the transactions.*

KEY DRIVERS

> NII growth was supported by:
  - higher capital levels; and
  - advances and deposits growth of 6% and 11% respectively.

> The 25 bps cuts in the repo rate in July 2017 and March 2018, resulted in an average decrease of 30 bps in the repo rate year-on-year, negatively impacting capital and deposit endowment. This was partially offset by higher capital and deposit volumes.

> FNB's deposit margins decreased 25 bps, impacted by negative endowment and a change in mix, with strong growth in lower margin deposit products as well as increased competitive pressures.

> FNB's advances margin increased 16 bps, impacted by:
  - a recalibration of residential mortgage LGD models, resulting in a reduction in interest in suspense (ISP) in the current year;
  - a marginal reduction in funding cost; and
  - certain repricing initiatives.

> Unsecured lending margins were negatively impacted by NCAA rate caps and higher ISP on NPLs.

> WesBank's VAF margins decreased 38 bps, impacted by the mix change in new business in the retail SA VAF book, a decrease in MotoNovo margins due to a change in mix, elevated funding costs due to an uptick in UK base rates, as well as increased competitive pricing. The decrease in WesBank personal loans margins is due to the NCAA rate caps and continued high growth in restructured debt-review accounts.

> The investment bank's reported margins benefited from a change in transfer pricing during the year – operational margins remained under pressure, impacted by elevated funding and liquidity costs as well as competitive pricing pressures, especially in the investment grade space.

> Group Treasury NII was impacted by:
  - an improvement in income from interest rate risk management activities of >R100 million;
  - the continued build up of HQLA, with a resultant negative impact of >R270 million;
  - a decrease of R149 million in dollar funding carry costs relating to pre-funding dollar liquidity in previous financial years, due to the partial deployment of a portion of the funding into higher yielding asset classes and a reduction in the level of surplus funding year-on-year; and
  - positive mark-to-market movements of c.R100 million (2017: c.R300 million negative movement) on fair value term and structured funding instruments due to movements in the domestic yield curve. This will reverse over the duration of the underlying instruments, which are long dated.

Net interest income (before impairment of advances) continued

AVERAGE BALANCE SHEET

		June 2018			June 2017		
R million	Notes	Average balance#	Interest income/ (expense)	Average rate %	Average balance	Interest income/ (expense)	Average rate %
INTEREST-EARNING ASSETS							
Average prime rate (RSA)				**10.20**			10.50
Balances with central banks		**22 142**	**–**	**–**	20 274	–	
Cash and cash equivalents		**17 699**	**789**	**4.46**	15 109	570	3.77
Liquid assets portfolio		**100 276**	**7 832**	**7.81**	87 030	6 841	7.86
Loans and advances to customers	1	**687 120**	**75 515**	**10.99**	657 577	72 878	11.08
Interest-earning assets		**827 237**	**84 136**	**10.17**	779 990	80 289	10.29
INTEREST-BEARING LIABILITIES							
Average JIBAR				**7.11**			7.34
Deposits due to customers	2	**(525 109)**	**(25 920)**	**4.94**	(483 037)	(24 343)	5.04
Group Treasury funding		**(322 536)**	**(21 803)**	**6.76**	(282 948)	(19 156)	6.77
Interest-bearing liabilities		**(847 645)**	**(47 723)**	**5.63**	(765 985)	(43 499)	5.68
ENDOWMENT AND TRADING BOOK							
Other assets*		**247 838**	**–**	**–**	190 945	–	–
Other liabilities**		**(134 829)**	**–**	**–**	(118 059)	–	–
NCNR preference shareholders		**(3 000)**	**–**	**–**	(3 000)	–	–
Equity		**(89 601)**	**–**	**–**	(83 891)	–	–
Endowment and trading book		**20 408**	**6 333**	**31.03**	(14 005)	3 059	(21.85)
Total interest-bearing liabilities, endowment and trading book		**(827 237)**	**(41 390)**	**5.00**	(779 990)	(40 440)	5.18
Net interest margin on average interest-earning assets		**827 237**	**42 746**	**5.17**	779 990	39 849	5.11

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

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

* *Includes preference share advances, trading assets and securitisation notes.*

** *Includes trading liabilities.*

Includes level 1 HQLA and level 2 HQLA, and corporate bonds not qualifying as HQLA.

NOTE 1 – MARGIN ANALYSIS ON LOANS AND ADVANCES TO CUSTOMERS

	June 2018		June 2017	
R million	**Average balance**	**Average margin %**	Average balance	Average margin %
Average prime rate (RSA)		**10.20**		10.50
Advances				
Retail – secured	**317 829**	**2.67**	311 248	2.65
Residential mortgages	**198 238**	**1.95**	190 849	1.65
VAF	**119 591**	**3.86**	120 399	4.24
Retail – unsecured	**73 146**	**12.17**	67 424	12.32
Card	**25 705**	**8.83**	23 088	9.35
Personal loans	**31 677**	**16.31**	29 342	16.31
– FNB	**17 024**	**14.32**	16 534	14.49
– WesBank	**14 653**	**18.62**	12 808	18.65
Retail other	**15 764**	**9.29**	14 994	9.10
Corporate and commercial	**296 145**	**2.32**	278 905	2.24
FNB commercial	**86 465**	**3.52**	80 179	3.45
– Mortgages	**20 998**	**2.39**	18 963	2.36
– Overdrafts	**32 604**	**4.59**	30 051	4.37
– Term loans	**32 863**	**3.17**	31 165	3.22
WesBank corporate	**30 379**	**2.18**	29 044	2.10
RMB investment banking*	**139 103**	**1.82**	137 477	1.70
RMB corporate banking	**40 198**	**1.57**	32 205	1.71
Total advances	**687 120**	**3.53**	657 577	3.47

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

* *Assets under agreement to resell and preference share advances are excluded from loans and advances to customers.*

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

The funds transfer pricing framework is further explained on page 73.

Net interest income (before impairment of advances) continued

NOTE 2 – MARGIN ANALYSIS ON DEPOSITS DUE TO CUSTOMERS

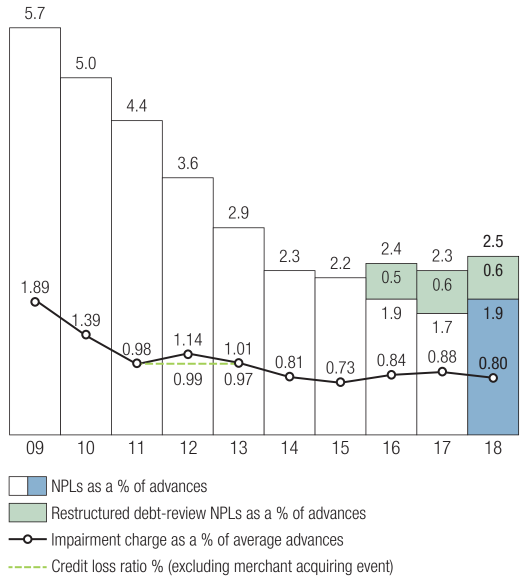
	June 2018		June 2017*	
R million	**Average balance**	**Average margin %**	Average balance	Average margin %
Average JIBAR rate (RSA)		**7.11**		7.34
Deposits				
Retail	**193 599**	**2.52**	170 547	2.86
Current and savings	**55 988**	**6.40**	52 591	6.78
Call	**62 695**	**1.06**	47 426	1.31
Term	**74 916**	**0.85**	70 530	0.98
Commercial	**201 176**	**2.76**	178 149	2.91
Current and savings	**75 295**	**5.71**	66 000	6.06
Call	**67 869**	**1.46**	66 495	1.47
Term	**58 012**	**0.44**	45 654	0.46
Corporate and investment banking	**130 334**	**0.93**	134 341	0.84
Current and savings	**59 651**	**1.40**	58 613	1.38
Call	**50 438**	**0.55**	53 014	0.46
Term	**20 245**	**0.50**	22 714	0.37
Total deposits	**525 109**	**2.21**	483 037	2.32

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

* *Comparatives have been restated due to refinements in the calculations and reallocations between segments.*

Credit highlights

NPL AND IMPAIRMENT HISTORY
%



CREDIT HIGHLIGHTS AT A GLANCE

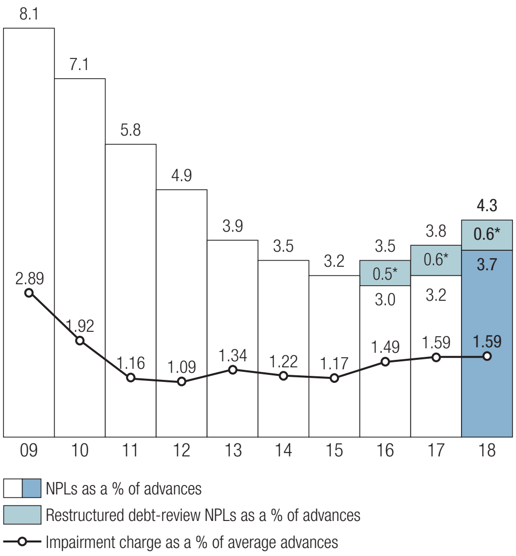
R million	Year ended 30 June		% change
	2018	2017	
Total gross advances	**859 235**	814 278	6
NPLs	**21 183**	18 509	14
NPLs as at % of advances	**2.47**	2.27	
Impairment charge	**6 659**	6 984	(5)
Credit loss ratio (%)	**0.80**	0.88	
Total impairments	**15 429**	14 859	4
– Portfolio impairments	**7 761**	7 711	1
– Specific impairments	**7 668**	7 148	7
Specific coverage ratio (%)*	**36.2**	38.6	
Total impairment coverage ratio (%)**	**72.8**	80.3	
Performing book coverage ratio (%)#	**0.93**	0.97	

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

Credit highlights continued

RETAIL NPLs AND IMPAIRMENTS

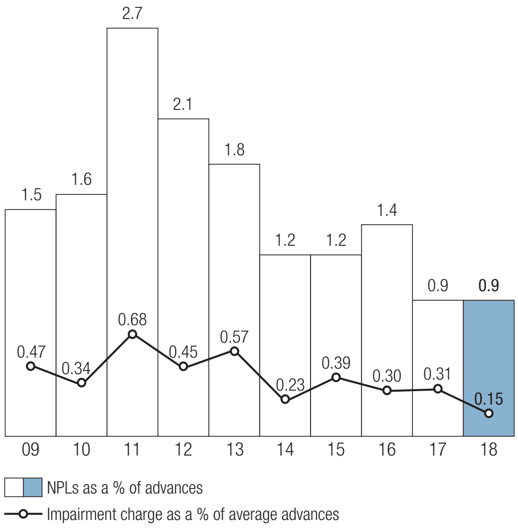
%



* *Restructured debt review.*

CORPORATE AND COMMERCIAL NPLs AND IMPAIRMENTS

%



Bank NPLs increased 14%. More than 60% of the increase in NPLs emanated from secured portfolios such as residential mortgages, VAF and FNB commercial agricultural, which have higher collateral levels, resulting in lower coverage.

Bank credit impairments decreased 5% from 88 bps at 30 June 2017 to 80 bps, reflecting the mix change in NPLs, the benefit of the measured origination and conservative provisioning policies adopted over the last two financial years, and strong collections.

Retail impairments reflected a modest deterioration of 3% year-on-year.

Commercial impairments deteriorated marginally to 75 bps, in line with through-the-cycle expectations and strong book growth.

The RMB investment banking portfolio released impairments reflecting the benefit of proactive provisioning in prior periods as well as the work-out and write-off of certain counters during the year. Proactive provisioning by RMB in previous years was driven primarily in response to the deteriorating macros and anticipated sovereign downgrade, as well as pressure on commodity prices. The subsequent improvement in commodity prices over the last 24 months and the utilisation of existing provisions for the sovereign downgrade resulted in a release of impairments in the current year.

Bank portfolio impairments increased 1%, reflecting ongoing book growth and the constrained macroeconomic environment in South Africa, as well as an increase in emergence periods in certain retail portfolios offset by the release in the corporate portfolio.

The total impairment coverage ratio reduced from 80.3% to 72.8%, reflecting the impact of paying debt-review customers, a mix change in NPLs, the impact of a release of impairments in the RMB investment banking portfolio, the impact of the LGD recalibration in the residential mortgage portfolio and the remaining central overlay release of R280 million.

KEY DRIVERS

- Retail NPLs as a percentage of advances increased to 4.30% (2017: 3.81%), driven by an increase in cycle-driven operational NPL balances in certain portfolios, as well as the increase in restructured debt-review accounts, which the bank reflects in NPLs and which are not re-aged:
  - Residential mortgage NPLs increased 11%, driven by an expected normalisation given the cycle, especially in affordable housing. This resulted in lower cure rates and an increase in new NPL formation. The increase was further impacted by growth in debt-review NPLs and the LGD model recalibration.
  - NPLs increased 9% in FNB loans and 17% in card. The lower growth in FNB loans reflects the benefit of the bank's conservative credit appetite, especially in the consumer segment, over the 18 months up to December 2017. It also reflects strong collections across the portfolio. The increase in card NPLs reflects expected new business strain given the seasoning of the book following strong advances growth over previous periods and the increasing number of debt-review NPLs. Debt-review NPLs comprise 45% and 29% of the FNB loans and card NPL portfolios, respectively.
  - Retail SA VAF NPLs increased 16%. The increase reflects:
    - an ongoing increase in and persistently high levels of restructured debt-review NPLs;
    - higher than expected NPLs in the self-employed and small business segments; and
    - lengthening recovery timelines and more customers opting for court orders for repossessions.
  - WesBank personal loans NPLs increased 34%. The increase was due to:
    - a change in write-off policy resulting in an increase in operational NPLs due to a longer collection period prior to write-off;
    - a further increase in the value of restructured debt-review NPLs; and
    - the WesBank loans impairment ratio of 7.93% (2017: 7.93%) is below the through-the-cycle expectations and consistent with the prior year.
  - The total retail SA VAF charge of 1.96% (2017: 1.55%) was impacted by the growth in NPLs and increased conservatism in portfolio provisions (lengthening of emergence period) and the impact of the securitisations.
  - NPLs in MotoNovo VAF increased 87% (+74% in pound terms). The increase was largely expected, given the historic book growth and the negative impact of a specific tranche of business originated between late 2015 and late 2016, before risk cuts were implemented in the 2017 financial year and further increased by securitisations.
  - MotoNovo personal loan NPLs increased >100% year-on-year, off a low base, resulting in a credit loss ratio of 6.41% (2017: 4.85%). A decision has been taken to wind down the book.
- RMB CIB NPLs decreased 12% due to the work-out and write-off of certain counters.
- FNB commercial NPLs increased 19%, primarily due to increases in higher collateralised agric NPLs and increases in commercial property finance, offset by decreases in other portfolios.
- Post write-off recoveries remained robust at R2 289 million (2017: R2 093 million) driven by the unsecured retail lending portfolios and retail SA VAF.

Credit highlights continued

The table below provides an overview of the restructured debt-review and non-debt review NPLs.

R million	Operational NPLs*	Restructured debt-review NPLs	Total NPLs	Total NPLs % increase	Operational NPLs % change	Restructured debt-review NPLs as a % of total NPLs
June 2018						
Residential mortgages	**4 560**	**515**	**5 075**	**11**	**11**	**10**
Card	**770**	**312**	**1 082**	**17**	**12**	**29**
Personal loans	**739**	**598**	**1 337**	**9**	**(7)**	**45**
Retail other	**778**	**214**	**992**	**16**	**15**	**22**
FNB retail NPLs	**6 847**	**1 639**	**8 486**	**12**	**9**	**19**
WesBank personal loans	**706**	**1 094**	**1 800**	**34**	**>100**	**61**
SA VAF	**4 097**	**2 475**	**6 572**	**16**	**22**	**38**
WesBank retail NPLs	**4 803**	**3 569**	**8 372**	**19**	**30**	**43**
Total NPLs	**15 975**	**5 208**	**21 183**	**14**	**15**	**25**
June 2017						
Residential mortgages	4 090	470	4 560	(2)	(5)	10
Card	689	237	926	22	23	26
Personal loans	798	429	1 227	16	(1)	35
Retail other	677	181	858	9	2	21
FNB retail NPLs	6 254	1 317	7 571	4	(1)	17
WesBank personal loans	347	998	1 345	19	(6)	74
SA VAF	3 351	2 311	5 662	17	9	41
WesBank retail NPLs	3 698	3 309	7 007	17	7	47
Total NPLs	13 883	4 626	18 509	(2)	(10)	25

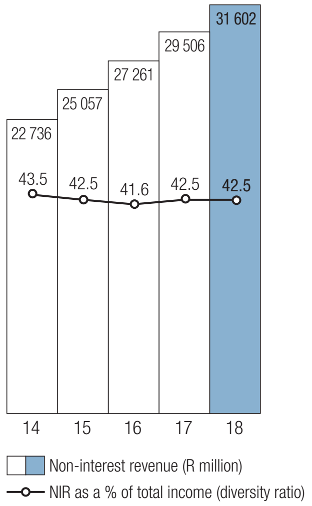
* *Operational NPLs include older debt-review accounts that migrated into NPLs prior to May 2016, as well as other types of restructured exposures and special arrangements undertaken by the group that are non-performing.*

	Restructured deb-review coverage		Operational NPLs*		Total NPL coverage			
Coverage ratio (%)	**June 2018**	June 2017	**June 2018**	June 2017	**June 2018**	June 2017	Change	
FNB credit card	**50.5**	45.1	**73.3**	74.2	**66.9**	67.0	(0.1)	
FNB retail other	**35.2**	37.9	**82.5**	75.5	**72.4**	67.0	5.4	
FNB loans	**48.7**	48.2	**68.8**	69.2	**59.8**	61.9	(2.1)	
WesBank loans	**14.4**	26.3	**71.8**	71.9	**36.9**	38.1	(1.2)	
SA VAF	**9.5**	9.4	**41.9**	43.1	**29.8**	29.4	0.4	

* *Operational NPLs include restructured debt in arrears for 90 days or more in terms of restructured agreements.*

Non-interest revenue – up 7%

NON-INTEREST REVENUE AND DIVERSITY RATIO
NIR CAGR 9%



ANALYSIS OF NON-INTEREST REVENUE

R million	Notes	**2018**	2017	% change
Fee, commission and insurance income		**24 263**	22 199	9
– Fee and commission income	1	**23 275**	21 203	10
– Insurance commission income	2	**988**	996	(1)
Markets, client and other fair value income	3	**3 210**	3 692	(13)
Investment income		**485**	137	>100
Other non-interest revenue		**3 644**	3 478	5
Non-interest revenue		**31 602**	29 506	7

The NIR performance was underpinned by robust fee and commission income growth, benefiting from strong electronic transaction volumes and ongoing customer acquisition. Fee, commission and insurance income represents 77% (2017: 75%) of NIR.

The downward trend in the bank's diversity ratio, despite ongoing good growth in NIR, results from the positive cumulative endowment impact and a number of specific strategic actions:

NII

- focus on growing retail and commercial deposit businesses;
- targeted origination strategies to own customer base resulted in good advances growth and mix change; and
- repricing strategies.

NIR

- success of e-migration resulted in lower fees, however this has been offset by customer and volume growth; and
- regulatory interventions have curtailed fee and commission growth.

Non-interest revenue continued

NOTE 1 – FEE AND COMMISSION INCOME – UP 10%

R million	2018	2017	% change
Bank commissions and fee income	**25 023**	22 546	11
– Card commissions	**3 960**	3 437	15
– Cash deposit fees	**1 649**	1 623	2
– Commission on bills, drafts and cheques	**2 369**	2 206	7
– Bank charges	**17 045**	15 280	12
– Commitment fees	**1 397**	1 305	7
– Other bank charges*	**15 648**	13 975	12
Knowledge-based fees	**1 384**	1 448	(4)
Management fees	**791**	765	3
Other non-bank commissions	**745**	710	5
Gross fee and commission income	**27 943**	25 469	10
Fee and commission expenditure	**(4 668)**	(4 266)	9
Total fee and commission income	**23 275**	21 203	10

* *Other bank charges include annual and monthly administrative fees, fees for customer transaction processing (e.g. SASwitch fees), cash withdrawal fees, debit order charges and utilisation of other banking services.*

KEY DRIVERS

- FNB delivered strong NIR growth of 10%, which was driven by a continued increase in the main-banked active client base and increased cross-sell and up-sell.
- Transaction volume growth was also strong at 10%. Electronic volumes increased 11%, whilst manual volumes only grew 4%, with branch and cash centre transaction volumes decreasing 14% and 7%, respectively.

%	Change in transaction volumes
ATM/ADT	**5**
Internet banking	**(4)**
Banking app	**65**
Mobile (excluding prepaid)	**–**
Point of sale – merchants	**16**
Card swipes	**12**

- Knowledge-based fees decreased 4%, reflecting the impact of muted deal volumes driven by lower corporate activity during the financial year. Despite this, RMB benefited from key client mandates requiring advisory, capital markets and structuring activities.
- The bank's management and fiduciary fee income growth of 3% reflects increased management fees from the group's associates and joint ventures.

NOTE 2 – INSURANCE COMMISSION INCOME – DOWN 1%

R million	2018	2017	% change
Insurance commission	**694**	702	(1)
Insurance brokerage	**294**	294	–
Total insurance commission income	**988**	996	(1)

KEY DRIVERS

- Insurance commission was marginally down due to a change in the mix of products sold with lower commission structures and the flow on impact of rate cuts.

NOTE 3 – MARKETS, CLIENT AND OTHER FAIR VALUE INCOME – DOWN 13%

R million	2018	2017	% change
Client	**1 835**	1 832	–
Markets	**982**	1 185	(17)
Other	**393**	675	(42)
Total markets, client and other fair value income	**3 210**	3 692	(13)

KEY DRIVERS

- The overall markets and client businesses' performance reflected an ongoing constrained and uncertain SA macro environment.
- Underlying client revenues came under pressure during the year, as the challenging macro environment led to lower activity from large clients in the domestic economy, thus negatively impacting income from structuring activities.
- Flow trading and residual risk activities were adversely impacted by a softer performance in the local foreign exchange, hard commodities and credit trading portfolios. This was particularly offset by a robust fixed income performance.
- The decrease in other fair value income was due to negative mark-to-market movements on economic foreign exchange hedges, which will pull to par over the duration of the instrument. In addition, the net TRS fair value income was lower than the prior year due the grant date values and vesting of the various schemes.

NOTE 4 OTHER NON-INTEREST REVENUE – UP 10%

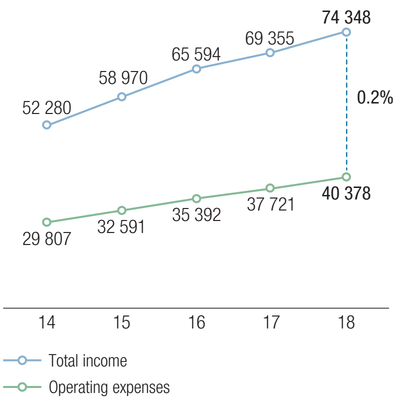
KEY DRIVERS

- The most significant other non-interest income item relates to various intercompany charges to other FirstRand group companies for the provision of services. These eliminate at a group level.
- The remaining significant other non-interest income items relate to various rental income streams. Rental income in WesBank and FNB showed strong growth, with WesBank in particular showing strong growth in the full maintenance leasing (FML) book.

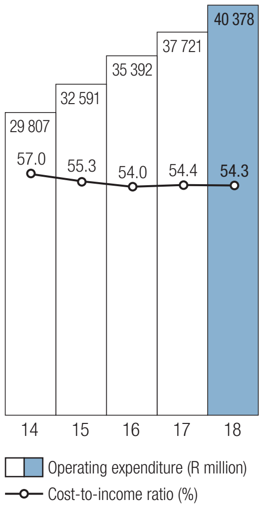
Operating expenses – up 7%

OPERATING JAWS

R million



OPERATING EFFICIENCY



OPERATING EXPENSES

R million	2018	2017	% change
Staff expenditure	**23 400**	21 847	7
– Direct staff expenditure	**15 397**	14 508	6
– Other staff-related expenditure	**8 003**	7 339	9
Depreciation of property and equipment	**2 366**	2 311	2
Amortisation of intangible assets	**94**	94	–
Advertising and marketing	**1 364**	1 114	22
Insurance	**235**	231	2
Lease charges	**1 260**	1 267	(1)
Professional fees	**1 601**	1 636	(2)
Audit fees	**284**	246	15
Computer expenses	**2 029**	1 912	6
Repairs and maintenance	**1 076**	1 145	(6)
Telecommunications	**355**	275	29
Cooperation agreements and joint ventures	**694**	646	7
Property	**823**	834	(1)
Business travel	**355**	313	13
Assets costing less than R7 000	**278**	245	13
Stationery and printing	**175**	173	1
Donations	**243**	218	11
Other expenditure	**3 746**	3 214	17
Total operating expenses	**40 378**	37 721	7

KEY DRIVERS

- Cost growth of 7% is above nominal inflation and reflects the impact of continuing investment spend on new initiatives and platforms.
- Staff costs, which comprise 58% of the bank's total operating expenses, increased 7%.

	% CHANGE	REASONS
Direct staff costs	6	Impacted by above inflation unionised increases in 2017 and was further impacted by internal transfers.
Other staff-related expenditure	9	The increase in variable costs reflects the strong growth in earnings and NIACC (in particular from FNB and RMB) in the current year. Normalised share-based payment expenses increased, given the higher increase in the group's share price, relative to the prior year's share price growth, resulting in higher grant values.

- Advertising and marketing cost growth of 22% reflect market segment-focused advertising, specifically focusing on new products.
- Lease charges decreased 1% year-on-year, down from the 7% growth in 2017. This reflects the acquisition of office buildings previously leased.
- Computer expenses growth slowed to 6% from 21% in the prior year, despite continued spend on projects related to various electronic platforms and infrastructure upgrades. The slowdown in cost growth reflects the maturing of certain projects resulting in an increase in the component of costs being capitalised as these projects enter the implementation and go-live phase.
- Repairs and maintenance decreased 6% due to base adjustments in the FML book in the prior year, which have now stabilised.
- The 29% increase in telecommunications was driven by increased bandwidth and related costs emanating from the use of different channels for advertising, marketing and communications.
- Cooperation agreements and joint venture costs increased 7%, driven by a strong performance in the Discovery card book and improved performance in the underlying alliances within the WesBank portfolio.
- Other expenses include various items, such as entertainment, bank charges, movements in provisions, subscriptions and memberships and intercompany charges.

03 balance sheet analysis and financial resource management

Economic view of the balance sheet

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

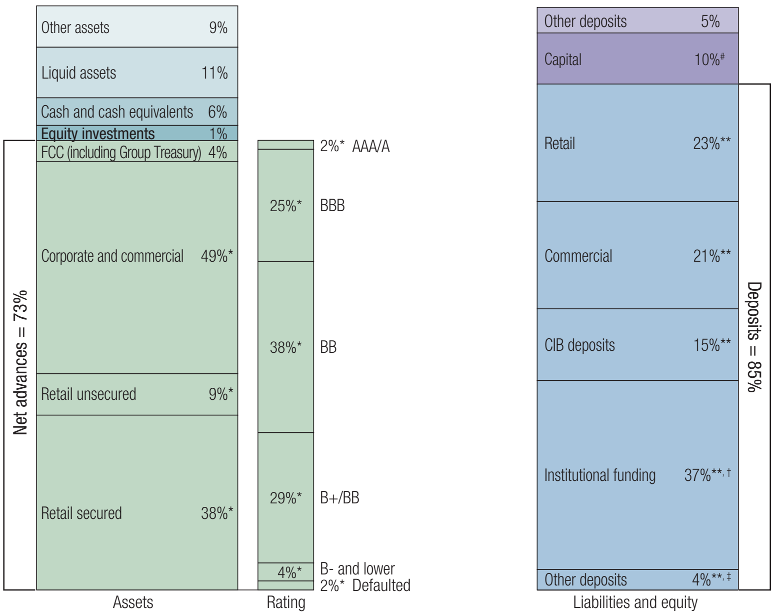
When assessing the underlying risk in the balance sheet, the bank's asset profile is dominated by a balanced advances portfolio, which constitutes 73% of total assets. The composition of the net advances portfolio consists mostly of retail secured (38%), retail unsecured (9%) and corporate and commercial (49%). Total NPLs were R21.2 billion (2.47% as a percentage of advances) with a credit loss ratio of 0.80%.

Cash and cash equivalents, and liquid assets represent 6% and 11%, respectively, of total assets. Only a small portion of assets relate to the markets businesses. Market risk arising from trading activities has remained low.

FRB's funding profile continues to reflect the structural funding constraints associated with the South African financial sector, however, the bank continued to enhance its risk-adjusted funding profile whilst targeting a lower proportion of institutional funding relative to peers. The weighted average remaining term of the bank's institutional funding was 34 months at 30 June 2018 (2017: 33 months).

The bank's capital ratios remained strong with the CET1 ratio 12.7%, Tier 1 ratio 12.8% and total capital adequacy ratio 16.8%, well in excess of its stated targets. Gearing increased to 13.3 times (2017: 12.9 times).

ECONOMIC VIEW OF THE BALANCE SHEET
%



* *As a proportion of loans and advances.*

** *As a proportion of deposit franchise.*

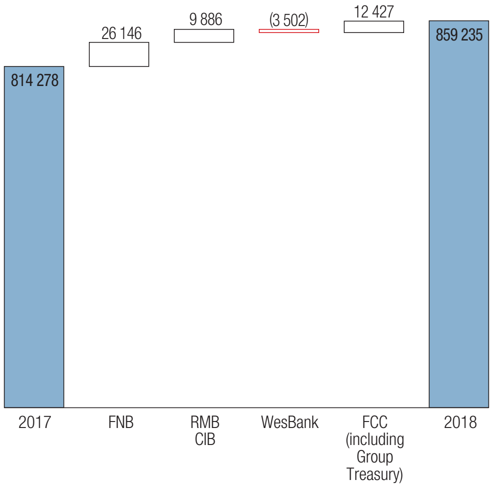
\# *Ordinary equity (8%) and NCNR preference shares and Tier 2 liabilities (2%).*

† *Includes CIB institutional funding and foreign branch platform.*

Derivative, securities lending and short trading position assets and liabilities have been netted off.

Gross advances – up 6%

GROSS ADVANCES GROWTH BY BUSINESS
R million



ADVANCES

R million	As at 30 June 2018	As at 30 June 2017	% change
Gross advances	**859 235**	814 278	6
Impairment of advances	**(15 429)**	(14 859)	4
Net advances	**843 806**	799 419	6

Gross advances increased 6%, marginally above nominal inflation, and a modest increase on the 5% growth recorded for the financial year ended 30 June 2017.

Growth rates in the consumer segment were more constrained than in the other portfolios due to tightening in credit appetite, especially in higher risk origination buckets. Advances in retail SA VAF and MotoNovo reduced following significant securitisations during the year.

In the corporate lending environment, low corporate activity and competitive pressures, especially in the investment-grade segment, resulted in disciplined resource allocation.

Advances

PORTFOLIO/PRODUCT	% CHANGE	
FNB retail	**7**	
Residential mortgages	**5**	> FNB HomeLoans were flat year-on-year, reflecting a slowdown in nominal house price inflation and lower demand. > Satisfactory growth of 9% in secured affordable housing on the back of client demand. > Strong growth of 15% in private bank lending, reflecting growth in the active client base as well as client migration.
Card	**14**	> Underpinned by targeted client acquisition, increased client migration as well as increased limits and utilisation in the premium segment. Growth in card in the consumer segment has been marginally negative given reduced risk appetite.
Personal loans	**19**	> Robust growth in the premium segment, off a low base, driven by client scoring process enhancements and the activation of new digital channels to existing customers. Advances in the consumer segment contracted marginally year-on-year, reflecting an ongoing conservative origination appetite.
Retail other	**7**	> Growth was driven by increases in transactional banking accounts (primarily overdrafts).
FNB commercial	**12**	> Reflects targeted new client acquisition in the small business segment and expanded lending product offering to existing base, resulting in growth of 14% in agric and 15% in commercial property finance.
RMB CIB*	**6**	> Growth from the SA core advances book was satisfactory despite competitive pressures and was underpinned by >15% growth in the SA corporate bank advances, benefiting from increased working capital utilisation by clients. Cross-border advances grew 12% in dollar terms, reflecting drawdowns of pre-existing facilities and targeted new credit extension. In rand terms, the cross-border book increased 18%.
WesBank	**(2)**	> Retail SA VAF advances declined 1%, impacted by the run-off of business now written on the group's associates' balance sheets as well as an increase of 52% in securitised advances year-on-year. > New business volumes in MotoNovo contracted 4% in pound terms (7% in rand), reflecting the impact of ongoing credit origination conservatism and constrained appetite for higher risk origination, and a slower roll-out of new initiatives. > Personal loans reflected good growth of 10%, benefiting from increased growth in lower risk segments of the market and repeat business, offset by cuts in higher risk buckets and impacted by the introduction of NCAA rate caps.

* *Core advances.*

Credit

Overall credit appetite is managed as part of the broader financial resource management process and is aligned with the group's view of the trends in the wider economy.

CREDIT HIGHLIGHTS AT A GLANCE

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

		Year ended 30 June		
R million	Notes	2018	2017	% change
Total gross advances	1	**859 235**	814 278	6
NPLs	2	**21 183**	18 509	14
NPLs as % of advances	2	**2.47**	2.27	
Impairment charge	3	**6 659**	6 984	(5)
Credit loss ratio (%)	3	**0.80**	0.88	
Total impairments	4	**15 429**	14 859	4
– Portfolio impairments		**7 761**	7 711	1
– Specific impairments		**7 668**	7 148	7
Specific coverage ratio (%)*	4	**36.2**	38.6	
Total impairment coverage ratio (%)**	4	**72.8**	80.3	
Performing book coverage ratio (%)#		**0.93**	0.97	

* *Specific impairments as a percentage of NPLs.*

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

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

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

Credit continued

NOTE 1: ANALYSIS OF ADVANCES

SEGMENTAL ANALYSIS OF ADVANCES

	Advances			
	As at 30 June			% composition
R million	2018	2017	% change	2018
Retail	**399 666**	387 364	3	**47**
Retail – secured	**323 619**	320 317	1	**38**
Residential mortgages	**204 969**	195 498	5	**24**
VAF	**118 650**	124 819	(5)	**14**
– SA	**94 171**	95 285	(1)	**11**
– MotoNovo*	**24 479**	29 534	(17)	**3**
Retail – unsecured	**76 047**	67 047	13	**9**
Card	**27 140**	23 800	14	**3**
Personal loans	**33 055**	28 384	16	**4**
– FNB	**17 161**	14 372	19	**2**
– WesBank	**14 859**	13 517	10	**2**
– MotoNovo	**1 035**	495	>100	**–**
Retail other	**15 852**	14 863	7	**2**
Corporate and commercial	**421 813**	401 227	5	**49**
FNB commercial	**93 962**	84 132	12	**11**
WesBank corporate	**32 149**	31 364	3	**4**
RMB investment banking**	**230 481**	227 642	1	**27**
RMB corporate banking**	**46 592**	39 545	18	**5**
HQLA corporate advances#	**18 629**	18 544	–	**2**
FNB Africa	**–**	273	(100)	**–**
FCC (including Group Treasury)	**37 756**	25 414	49	**4**
Securitisation notes	**23 674**	19 223	23	**3**
Other	**14 082**	6 191	>100	**1**
Total advances	**859 235**	814 278	6	**100**
Of which				
Accrual book	**663 725**	583 234	14	**77**
Fair value book†	**195 510**	231 044	(15)	**23**

* *MotoNovo VAF book £1.35 billion (-22%) (2017: £1.74 billion).*

** *Includes activities in India.*

\# *Managed by the Group Treasurer.*

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

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

	Advances			
	As at 30 June			% composition
R million	2018	2017	% change	2018
Corporate and investment banking advances	**277 073**	267 187	4	**100**
Less: assets under agreements to resell	**(23 233)**	(29 047)	(20)	**(8)**
RMB advances net of assets under agreements to resell	**253 840**	238 140	7	**92**

STRATEGY VIEW OF CIB ADVANCES

	Advances			
	As at 30 June			% composition
R million	2018	2017	% change	2018
RMB investment banking	**230 481**	227 642	1	**84**
Less: assets under agreements to resell	**(22 778)**	(28 448)	(20)	**(8)**
RMB investment banking core advances	**207 703**	199 194	4	**76**
– South Africa	**179 852**	175 900	2	**66**
– Cross-border (rest of Africa)	**27 851**	23 294	20	**10**
RMB corporate banking	**46 592**	39 545	18	**17**
Less: assets under agreements to resell	**(455)**	(599)	(24)	**–**
RMB corporate banking core advances	**46 137**	38 946	18	**17**
– South Africa	**38 131**	31 830	20	**14**
– Cross-border (rest of Africa)	**8 006**	7 116	13	**3**
HQLA corporate advances	**18 629**	18 544	–	**7**
CIB total core advances	**272 469**	256 684	6	**100**
CIB core advances – South Africa*	**236 612**	226 274	5	**87**
CIB core advances – rest of Africa**	**35 857**	30 410	18	**13**
CIB total core advances	**272 469**	256 684	6	**100**

* *CIB core advances – South Africa is the sum of RMB IB SA core advances, RMB CB SA advances and HQLA corporate advances.*

** *CIB core advances – rest of Africa is the sum of RMB IB cross-border core advances and RMB CB cross-border core advances.*

Credit continued

SECTOR AND GEOGRAPHICAL ANALYSIS OF ADVANCES

	Advances			
	As at 30 June			% composition
R million	2018	2017	% change	2018
Gross advances	**860 734**	815 960	5	**100**
Less: interest in suspense	**(1 499)**	(1 682)	(11)	**–**
Advances net of interest in suspense	**859 235**	814 278	6	**100**
Sector analysis				
Agriculture	**32 859**	30 220	9	**4**
Banks	**20 867**	4 951	>100	**2**
Financial institutions	**137 937**	132 200	4	**16**
Building and property development	**48 961**	42 637	15	**6**
Government, Land Bank and public authorities	**22 471**	22 740	(1)	**3**
Individuals	**384 235**	372 740	3	**45**
Manufacturing and commerce	**100 870**	92 148	9	**12**
Mining	**11 297**	16 461	(31)	**1**
Transport and communication	**18 737**	18 635	1	**2**
Other services	**81 001**	81 546	(1)	**9**
Total advances	**859 235**	814 278	6	**100**
Geographic analysis				
South Africa	**770 540**	739 728	4	**90**
Other Africa	**33 611**	26 982	25	**4**
UK	**35 973**	35 810	–	**4**
Other Europe	**12 129**	5 475	>100	**1**
North America	**2 021**	1 727	17	**–**
South America	**260**	434	(40)	**–**
Australasia	**2**	1	100	**–**
Asia	**4 699**	4 121	14	**1**
Total advances	**859 235**	814 278	6	**100**

NOTE 2: ANALYSIS OF NPLs

The table below provides an analysis of NPLs.

	NPLs				NPLs as a % of advances	
	As at 30 June			% composition	As at 30 June	
R million	2018	2017	% change	2018	2018	2017
Retail	**17 198**	14 750	17	**81**	**4.30**	3.81
Retail – secured	**11 966**	10 393	15	**57**	**3.70**	3.24
Residential mortgages	**5 075**	4 560	11	**24**	**2.48**	2.33
VAF	**6 891**	5 833	18	**33**	**5.81**	4.67
– SA	**6 572**	5 662	16	**31**	**6.98**	5.94
– MotoNovo*	**319**	171	87	**2**	**1.30**	0.58
Retail – unsecured	**5 232**	4 357	20	**24**	**6.88**	6.50
Card	**1 082**	926	17	**5**	**3.99**	3.89
Personal loans	**3 158**	2 573	23	**14**	**9.55**	9.06
– FNB	**1 337**	1 227	9	**6**	**7.79**	8.54
– WesBank	**1 800**	1 345	34	**8**	**12.11**	9.95
– MotoNovo	**21**	1	>100	**–**	**2.03**	0.20
Retail other	**992**	858	16	**5**	**6.26**	5.77
Corporate and commercial	**3 985**	3 710	7	**19**	**0.94**	0.92
FNB commercial	**2 714**	2 280	19	**13**	**2.89**	2.71
WesBank corporate	**244**	258	(5)	**1**	**0.76**	0.82
RMB investment banking**	**898**	1 137	(21)	**4**	**0.39**	0.50
RMB corporate banking**	**129**	35	>100	**1**	**0.28**	0.09
HQLA corporate advances#	**–**	–	–	**–**	**–**	–
FNB Africa	**–**	49	(100)	**–**	**–**	17.95
FCC (including Group Treasury)	**–**	–	–	**–**	**–**	–
Securitisation notes	**–**	–	–	**–**	**–**	–
Other	**–**	–	–	**–**	**–**	–
Total NPLs	**21 183**	18 509	14	**100**	**2.47**	2.27
Of which:						
Accrual book	**20 566**	17 706	16	**97**	**3.10**	3.04
Fair value book	**617**	803	(23)	**3**	**0.32**	0.35

* *MotoNovo VAF NPLs of £18 million (+74%) (2017: £10 million).*

** *Includes activities in India.*

\# *Managed by the Group Treasurer.*

Credit continued

SECTOR AND GEOGRAPHIC ANALYSIS OF NPLs

	NPLs				NPLs as a % of advances	
	As at 30 June			% composition	As at 30 June	
R million	**2018**	2017	% change	**2018**	**2018**	2017
Sector analysis						
Agriculture	**908**	620	46	**4**	**2.76**	2.05
Banks	**–**	–	–	**–**	**–**	–
Financial institutions	**79**	94	(16)	**1**	**0.06**	0.07
Building and property development	**672**	1 060	(37)	**3**	**1.37**	2.49
Government, Land Bank and public authorities	**313**	27	>100	**1**	**1.39**	0.12
Individuals	**16 307**	14 084	16	**77**	**4.24**	3.78
Manufacturing and commerce	**1 134**	950	19	**5**	**1.12**	1.03
Mining	**521**	485	7	**3**	**4.61**	2.95
Transport and communication	**191**	152	26	**1**	**1.02**	0.82
Other services	**1 058**	1 037	2	**5**	**1.31**	1.27
Total NPLs	**21 183**	18 509	14	**100**	**2.47**	2.27
Geographic analysis						
South Africa	**20 246**	17 761	14	**95**	**2.63**	2.40
Other Africa	**166**	111	50	**1**	**0.49**	0.41
UK	**340**	172	98	**2**	**0.95**	0.48
Other Europe	**27**	58	(53)	**–**	**0.22**	1.06
North America	**404**	358	13	**2**	**19.99**	20.73
South America	**–**	–	–	**–**	**–**	–
Australasia	**–**	–	–	**–**	**–**	–
Asia	**–**	49	(100)	**–**	**–**	1.19
Total NPLs	**21 183**	18 509	14	**100**	**2.47**	2.27

SECURITY AND RECOVERABLE AMOUNTS BY PORTFOLIO

	As at 30 June 2018			As at 30 June 2017		
R million	**NPLs**	**Security held and expected recoveries**	**Specific impairment**	NPLs	Security held and expected recoveries	Specific impairment
Retail	**17 198**	**11 221**	**5 977**	14 750	9 523	5 227
Retail – secured	**11 966**	**8 916**	**3 050**	10 393	7 633	2 760
Residential mortgages	**5 075**	**4 170**	**905**	4 560	3 567	993
VAF	**6 891**	**4 746**	**2 145**	5 833	4 066	1 767
– SA	**6 572**	**4 611**	**1 961**	5 662	3 995	1 667
– MotoNovo	**319**	**135**	**184**	171	71	100
Retail – unsecured	**5 232**	**2 305**	**2 927**	4 357	1 890	2 467
Card	**1 082**	**358**	**724**	926	306	620
Personal loans	**3 158**	**1 673**	**1 485**	2 573	1 301	1 272
– FNB	**1 337**	**537**	**800**	1 227	468	759
– WesBank	**1 800**	**1 135**	**665**	1 345	833	512
– MotoNovo	**21**	**1**	**20**	1	–	1
Retail other	**992**	**274**	**718**	858	283	575
Corporate and commercial	**3 985**	**2 294**	**1 691**	3 710	1 809	1 901
FNB commercial	**2 714**	**1 699**	**1 015**	2 280	1 224	1 056
WesBank corporate	**244**	**128**	**116**	258	111	147
RMB investment banking*	**898**	**352**	**546**	1 137	453	684
RMB corporate banking*	**129**	**115**	**14**	35	21	14
HQLA corporate advances**	**–**	**–**	**–**	–	–	–
FNB Africa	**–**	**–**	**–**	49	29	20
FCC (including Group Treasury)	**–**	**–**	**–**	–	–	–
Securitisation notes	**–**	**–**	**–**	–	–	–
Other	**–**	**–**	**–**	–	–	–
Total	**21 183**	**13 515**	**7 668**	18 509	11 361	7 148

* *Includes activities in India.*
** *Managed by the Group Treasurer.*

Credit continued

NOTE 3: ANALYSIS OF INCOME STATEMENT CREDIT IMPAIRMENTS

INCOME STATEMENT IMPAIRMENTS

	Total impairment charge			As a % of average advances	
	Year ended 30 June			Year ended 30 June	
R million	**2018**	2017	% change	**2018**	2017
Retail	**6 275**	6 103	3	**1.59**	1.59
Retail – secured	**2 467**	2 252	10	**0.77**	0.71
Residential mortgages	**149**	285	(48)	**0.07**	0.15
VAF	**2 318**	1 967	18	**1.90**	1.56
– SA	**1 856**	1 503	23	**1.96**	1.55
– MotoNovo*	**462**	464	–	**1.71**	1.59
Retail – unsecured	**3 808**	3 851	(1)	**5.32**	5.94
Card	**670**	699	(4)	**2.63**	3.05
Personal loans	**1 967**	2 090	(6)	**6.40**	7.64
– FNB	**793**	1 071	(26)	**5.03**	7.43
– WesBank	**1 125**	1 007	12	**7.93**	7.93
– MotoNovo	**49**	12	>100	**6.41**	4.85
Retail other	**1 171**	1 062	10	**7.62**	7.27
Corporate and commercial	**616**	1 216	(49)	**0.15**	0.31
FNB commercial	**670**	531	26	**0.75**	0.66
WesBank corporate	**48**	66	(27)	**0.15**	0.22
RMB investment banking**	**(105)**	544	(>100)	**(0.05)**	0.25
RMB corporate banking**	**3**	75	(96)	**0.01**	0.20
HQLA corporate advances#	**–**	–	–	**–**	–
FNB Africa	**(2)**	15	(>100)	**(1.47)**	2.90
FCC (including Group Treasury)	**(230)**	(350)	(34)	**(0.03)**	(0.04)
Securitisation notes	**–**	–	–	**–**	–
Other	**(230)**	(350)	(34)	**(0.03)**	(0.04)
Total impairment charge	**6 659**	6 984	(5)	**0.80**	0.88
Of which					
Portfolio impairments charge	**96**	454	(79)	**0.01**	0.06
Specific impairments charge	**6 563**	6 530	1	**0.79**	0.82

* *MotoNovo VAF impairment charge of £27 million (-1%) (2017: £27 million). (Impairment charge as a percentage of average advances in £ terms – 2018: 1.73%; 2017: 1.68%).*

** *Includes activities in India.*

Managed by the Group Treasurer.

NOTE 4: ANALYSIS OF BALANCE SHEET IMPAIRMENTS AND COVERAGE RATIOS

IMPLIED LOSS GIVEN DEFAULT AND TOTAL IMPAIRMENT COVERAGE RATIOS

	Balance sheet impairments			Coverage ratios (% of NPLs)	
	As at 30 June			As at 30 June	
R million	2018	2017	% change	2018	2017
Retail	**5 977**	5 227	14	**34.8**	35.4
Retail – secured	**3 050**	2 760	11	**25.5**	26.6
Residential mortgages	**905**	993	(9)	**17.8**	21.8
VAF	**2 145**	1 767	21	**31.1**	30.3
– SA*	**1 961**	1 667	18	**29.8**	29.4
– MotoNovo	**184**	100	84	**57.7**	58.5
Retail – unsecured	**2 927**	2 467	19	**55.9**	56.6
Card	**724**	620	17	**66.9**	67.0
Personal loans	**1 485**	1 272	17	**47.0**	49.4
– FNB*	**800**	759	5	**59.8**	61.9
– WesBank*	**665**	512	30	**36.9**	38.1
– MotoNovo	**20**	1	>100	**95.2**	100.0
Retail other*	**718**	575	25	**72.4**	67.0
Corporate and commercial	**1 691**	1 901	(11)	**42.4**	51.2
FNB commercial	**1 015**	1 056	(4)	**37.4**	46.3
WesBank corporate	**116**	147	(21)	**47.5**	57.0
RMB investment banking**	**546**	684	(20)	**60.8**	60.2
RMB corporate banking**	**14**	14	–	**10.9**	40.0
HQLA corporate advances#	**–**	–	–	**–**	–
FNB Africa	**–**	20	(100)	**–**	40.8
FCC (including Group Treasury)	**–**	–	–	**–**	–
Securitisation notes	**–**	–	–	**–**	–
Other	**–**	–	–	**–**	–
Total specific impairments/implied loss given default†	**7 668**	7 148	7	**36.2**	38.6
Portfolio impairments‡	**7 761**	7 711	1	**36.6**	41.7
Total impairments/total impairment coverage ratio^	**15 429**	14 859	4	**72.8**	80.3

* *The coverage ratio is negatively impacted by accounts that have been restructured in terms of the debt-review process. These accounts are reported in NPLs even though the clients may be fully performing in terms of the revised repayment terms. This is in line with the group's policy not to reclassify accounts out of NPLs, i.e. accounts will only migrate out of NPLs when clients have repaid all arrears.*

** *Includes activities in India.*

Managed by the Group Treasurer.

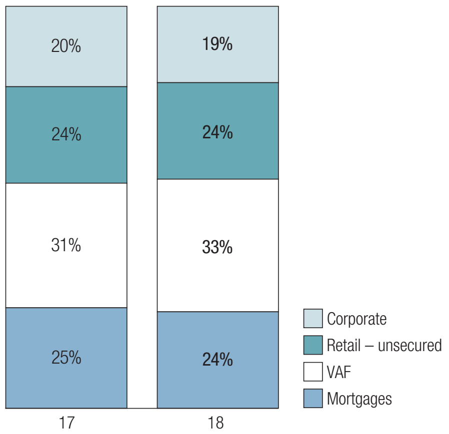
† *Specific impairments as a percentage of NPLs.*

‡ *Portfolio impairments as a percentage of NPLs.*

^ *Total impairments as a percentage of NPLs.*

Credit continued

NPL DISTRIBUTION



RECONCILIATION OF IMPAIRMENTS

The following table provides an analysis of the balance sheet amortised cost impairments and fair value credit adjustments.

BALANCE SHEET IMPAIRMENTS AND CREDIT FAIR VALUE ADJUSTMENTS

	Amortised cost book		Fair value book		Total book	
	As at 30 June		As at 30 June		As at 30 June	
R million	**2018**	2017	**2018**	2017	**2018**	2017
Non-performing book	**7 469**	6 734	**199**	414	**7 668**	7 148
Performing book	**6 459**	5 589*	**1 302**	2 122	**7 761**	7 711
Total impairments	**13 928**	12 323	**1 501**	2 536	**15 429**	14 859

* *In anticipation of the adoption of IFRS 9, a significant portion of new originated investment banking advances in RMB, which would previously have been recognised at fair value, is now recognised as amortised cost advances. This has resulted in a shift between fair value and amortised cost performing book portfolio impairments.*

TOTAL BALANCE SHEET IMPAIRMENTS

	As at 30 June		
R million	**2018**	2017	% change
Opening balance	**14 859**	14 818	–
Acquisitions	**16**	26	(38)
Exchange rate difference	**61**	(111)	(>100)
Unwinding and discounted present value on NPLs	**(105)**	(79)	33
Bad debts written off	**(8 350)**	(8 872)	(6)
Net new impairments created	**8 948**	9 077	(1)
Closing balance	**15 429**	14 859	4

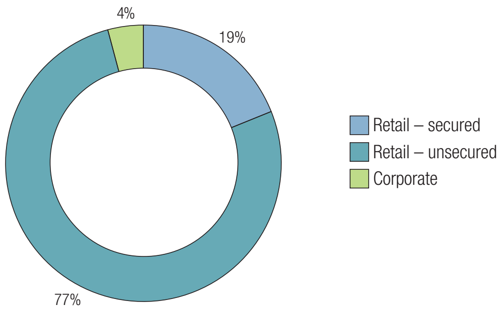
INCOME STATEMENT IMPAIRMENTS

The following table provides an analysis of the income statement impact of amortised cost impairments and credit fair value adjustments.

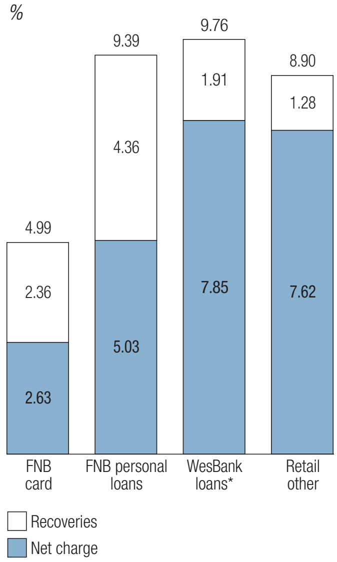
	As at 30 June		
R million	**2018**	2017	% change
Specific impairment charge	**8 852**	8 623	3
Specific impairment charge – amortised cost	**8 840**	8 493	4
Credit fair value adjustments – non-performing book	**12**	130	(91)
Portfolio impairment charge	**96**	454	(79)
Portfolio impairment charge – amortised cost	**893**	440*	>100
Credit fair value adjustments – performing book	**(797)**	14*	(>100)
Total impairments before recoveries	**8 948**	9 077	(1)
Recoveries of bad debts written off	**(2 289)**	(2 093)	9
Total impairments	**6 659**	6 984	(5)

* *In anticipation of the adoption of IFRS 9, a significant portion of new originated investment banking advances in RMB, which would previously have been recognised at fair value, is now recognised as amortised cost advances. This has resulted in a shift between fair value and amortised cost performing book portfolio impairments.*

POST WRITE-OFF RECOVERIES



RETAIL CREDIT LOSS RATIOS AND RECOVERIES



* *WesBank loans include WesBank and MotoNovo personal loans.*

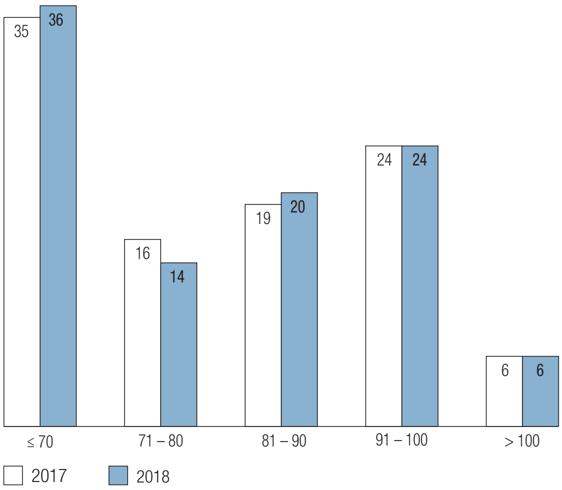
Credit continued

RISK ANALYSIS

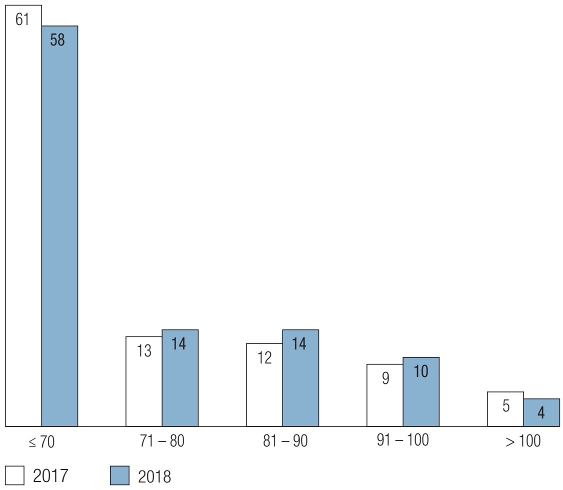
The graphs below provide loan balance-to-value ratios and age distributions of residential mortgages.

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

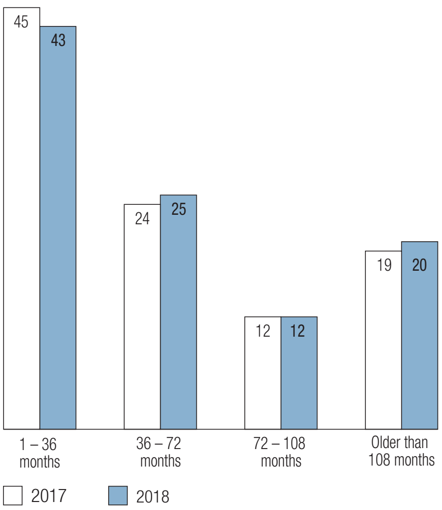
FNB RESIDENTIAL MORTGAGES
BALANCE-TO-ORIGINAL VALUE
%



FNB RESIDENTIAL MORTGAGES
BALANCE-TO-MARKET VALUE
%

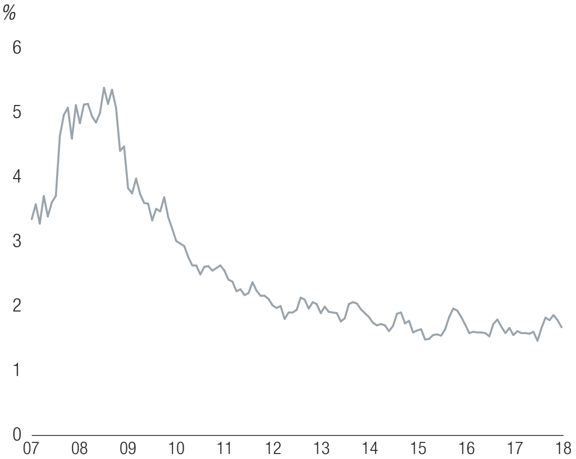


FNB RESIDENTIAL MORTGAGES
AGE DISTRIBUTION
%



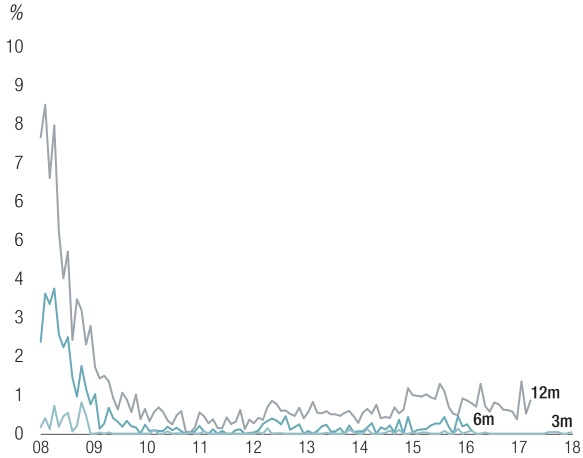
The following graph shows arrears in the FNB HomeLoans portfolio. It includes accounts where more than one full payment is in arrears, expressed as a percentage of total advances. The increase in arrears in the year under review reflects the reclassification of restructured debt-review accounts to arrear status.

FNB HOMELOANS ARREARS



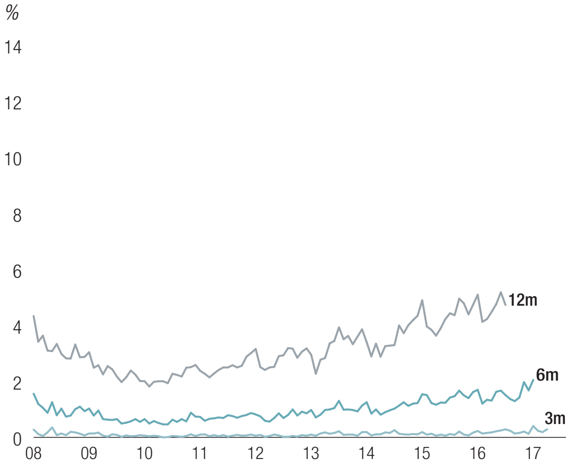
Vintages in FNB HomeLoans remained stable as collections were strong. Lower new business volumes limited book growth for most of the year.

FNB HOMELOANS VINTAGE ANALYSIS



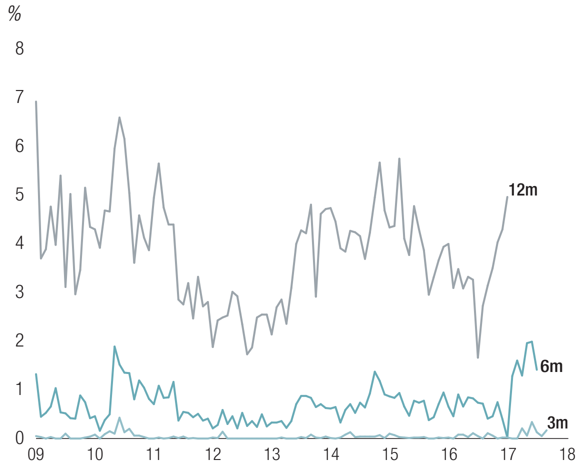
The retail SA VAF vintages experienced strain in the latter part of the 2018 financial year due to the continued increase in customers opting for court orders for repossession and the ongoing impact of third-party data, which resulted in the underprediction of certain risk factors. Further risk appetite adjustments have been implemented.

WESBANK RETAIL VAF VINTAGE ANALYSIS



FNB card growth differed across segments over the year. Card growth in premium benefited from customer growth, while the book contracted in the consumer segment as appetite remained conservative. Vintages have trended higher, especially in consumer. Default rates are still within expectation.

FNB CARD VINTAGE ANALYSIS

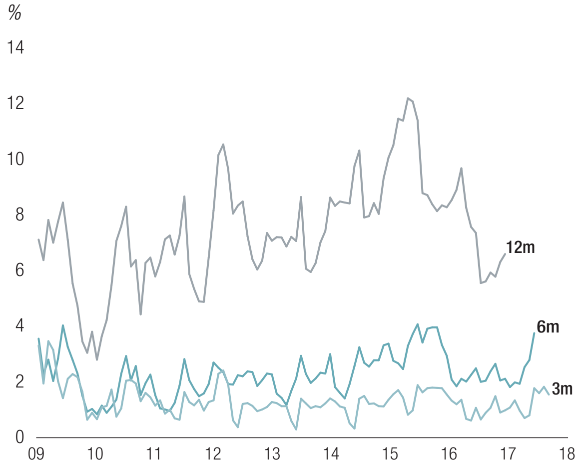


Credit continued

FNB personal loans growth was concentrated in the premium segment driven by increased penetration into the existing base. The change in risk mix and effective collections resulted in vintages remaining within risk appetite. The uptick in vintage trend is expected given the growth in shorter term (up to 6 months) loans.

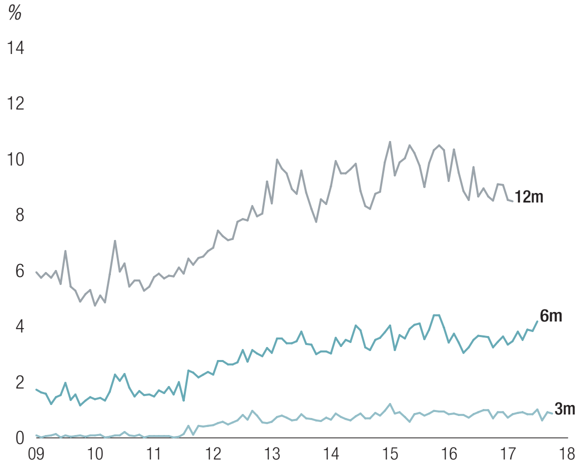
Although the debt-review NPL portfolio grew more relative to the performing book, it still remains a relatively small proportion of the total book. Collections in the debt-review book are, however, better than non-debt review NPLs, further improving the 12-month vintage over the past two-year period.

FNB PERSONAL LOANS VINTAGE ANALYSIS



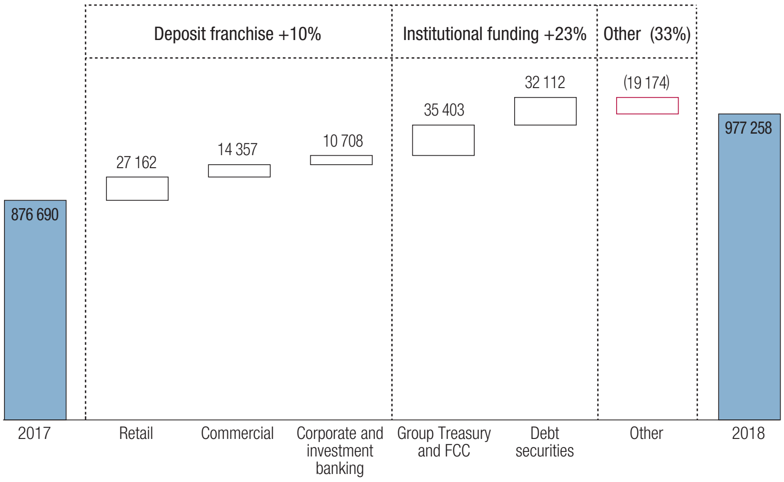
WesBank personal loans vintages have been stable since December 2013 due to active credit origination management within the portfolio, including a number of risk cuts, where appropriate.

WESBANK PERSONAL LOANS VINTAGE ANALYSIS



Deposits – up 11%

FUNDING PORTFOLIO YEAR-ON-YEAR GROWTH
R billion



KEY DRIVERS

- FNB's deposits increased 11%:
  - Retail deposit growth of 14% was supported by ongoing product innovation, digitisation and continued growth in flagship deposit products. Particularly strong growth of 19% was recorded by the premium segment.
  - Commercial deposit growth of 7% was driven by new client acquisition and cross-sell strategies.
  - In April 2018, FNB became the number one household deposit franchise in terms of market share in South Africa.
- RMB CIB deposits grew 8%. This was achieved through growth in currency term deposits, operational demand deposits and call and notice deposits which were driven by targeted campaigns to grow the deposit book, as well as the development of new product offerings.
- FRB, like the rest of the SA banking sector, utilises institutional funding in the form of Group Treasury deposits, which grew 31%, and debt securities, which reflected robust growth of 17%. This was a result of:
  - an increase in debt securities, attributable to taps on existing bonds and issuance of new bonds, additional NCD and floating rate note (FRN) issues, an uptick in the demand for fixed deposits from institutional investors and an increase in the interbank position;
  - growth in foreign currency funding and structured issuances in the domestic market – absolute growth was affected by rand depreciation during the year; and
  - given favourable liquidity conditions in the last quarter of 2017, the bank decided to pre-fund liquidity requirements ahead of potential rating downgrades due to the prevailing political uncertainty.
- Other deposits include repurchase agreements and cash collateral, both of which decreased during the year.

Funding and liquidity risk

INTRODUCTION AND OBJECTIVES

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

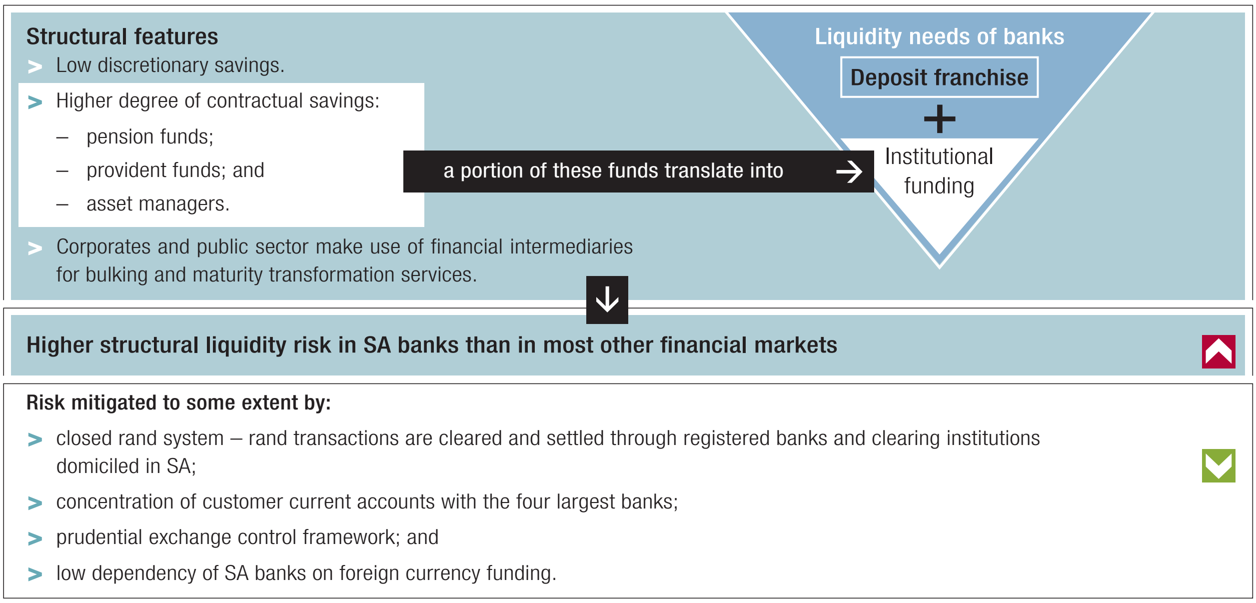
As a consequence of the liquidity risk introduced by its business activities across various currencies and geographies, the group's objective is to optimise its funding profile within structural and regulatory constraints to enable its franchises to operate in an efficient and sustainable manner.

Compliance with the Basel III liquidity ratios influences the bank's funding strategy, as it seeks to restore and maintain the correct risk-adjusted pricing of liquidity. The bank is actively building its deposit franchise through innovative and competitive products and pricing, whilst also optimising the profile of its institutional funding. This continues to improve the funding and liquidity profile of the bank and the group.

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

FUNDING MANAGEMENT

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



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

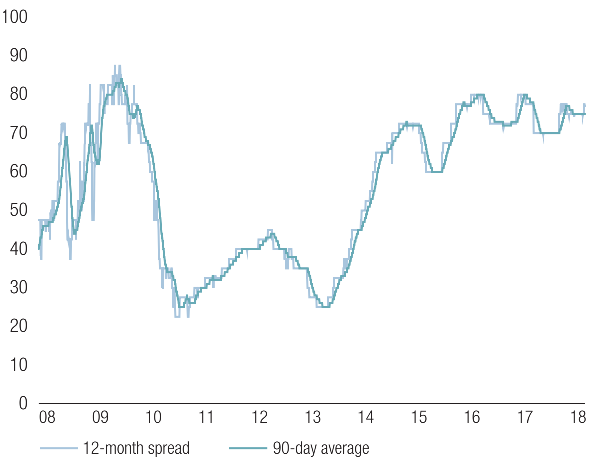
The group's aim is to fund the balance sheet in the most efficient manner, taking into account its liquidity risk management framework, as well as regulatory and rating agency requirements.

To ensure maximum efficiency and flexibility in accessing funding opportunities, a range of debt programmes have been established. The bank's strategy for domestic vanilla public issuances is to create actively-traded benchmark issuances, which facilitate secondary market liquidity in both domestic and offshore markets. The inherent value of this strategy is the ability to identify cost-effective funding opportunities whilst maintaining an understanding of available market liquidity.

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

12-MONTH FLOATING RATE NOTE MID-MARKET SPREAD

bps

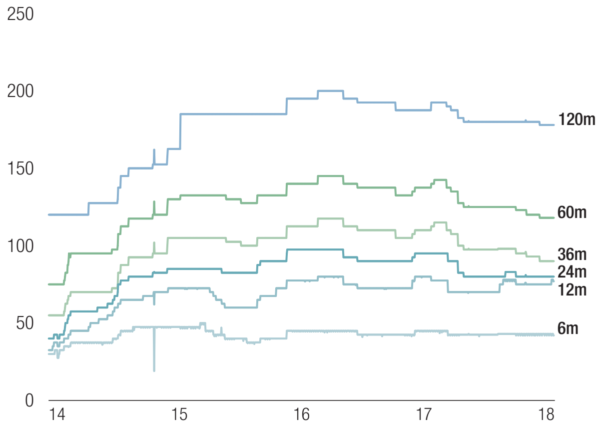


Source: Bloomberg (RMBP screen) and Reuters.

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

LONG-TERM FUNDING SPREADS

bps



Source: Bloomberg (RMBP screen) and Reuters.

FUNDING MEASUREMENT AND ACTIVITY

The bank generates a larger proportion of its funding from deposits compared to the South African aggregate, however, its funding profile also reflects the structural features described previously.

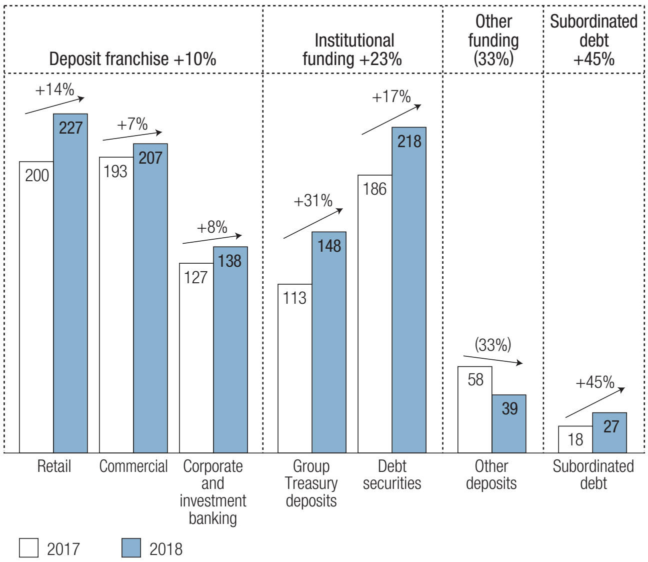
The bank manages its funding structure by source, counterparty type, product, currency and market. The deposit franchise is the most efficient source of funding and represented 57% of total bank funding liabilities as at 30 June 2018 (2017: 60%).

The bank continued to focus on growing its deposit franchise across all segments, with increased emphasis on savings and investment products. Progress continues to be made in developing suitable products to attract a greater proportion of clients' available liquidity with improved risk-adjusted pricing for source and behaviour. To fund operations, the bank accesses the domestic money markets daily and, from time to time, capital markets. The bank issues various capital and funding instruments in the capital markets on an auction and reverse-enquiry basis with strong support from investors, both domestically and internationally.

Funding and liquidity risk continued

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

FUNDING PORTFOLIO GROWTH
R billion



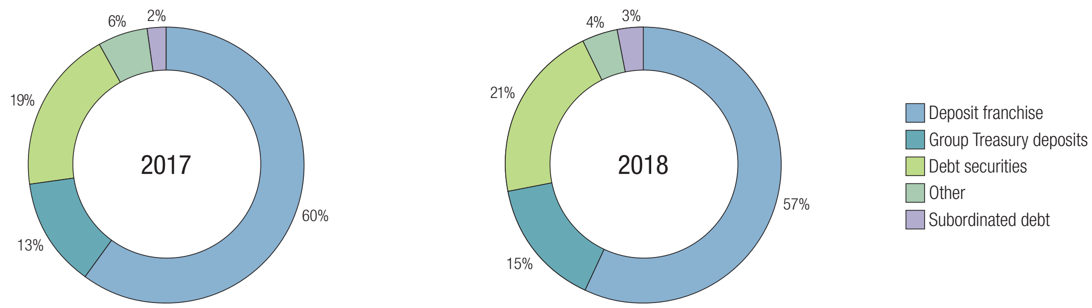
Note 1: Percentage growth is based on actual, rather than rounded numbers shown in the bar graphs.

Note 2: The graph above is completed using the bank segmental reporting split based on funding product type. The deposit franchise as reported in the above finance segment and product view differs from the risk counterparty view on page 67 which is segment and product agnostic. These views primarily highlight the bank's strength in raising deposits across segments, as well as the diversification of funding from a counterparty perspective.

Note 3: The June 2017 numbers have been restated due to a resubmission of the BA900 returns following a reclassification of credit-linked notes and inflation-linked notes previously disclosed as CIB deposits.

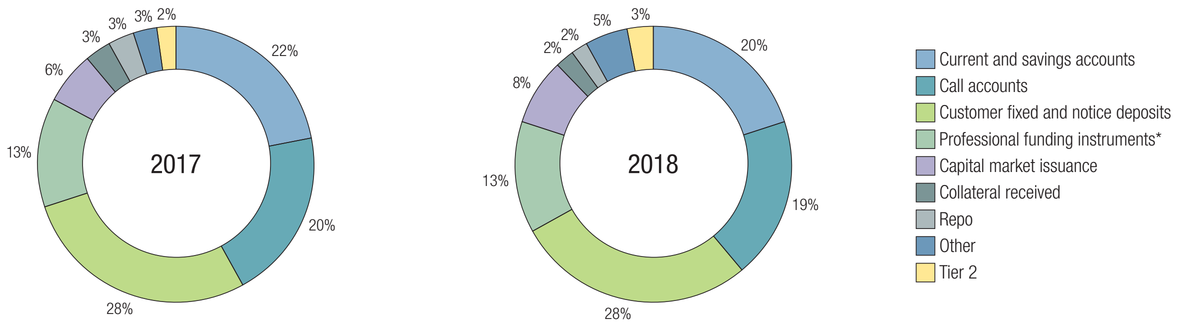
The graphs below show that the bank's funding mix has remained stable over the last 12 months.

BANK'S FUNDING MIX



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

BANK'S FUNDING ANALYSIS BY INSTRUMENT TYPE



* *Includes NCD and equivalent fixed rate notes with institutional client, which were previously disclosed as NCD and fixed notice deposits.*

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

The table below provides an analysis of FRB (excluding foreign branches) funding sources per counterparty type as opposed to the segment view.

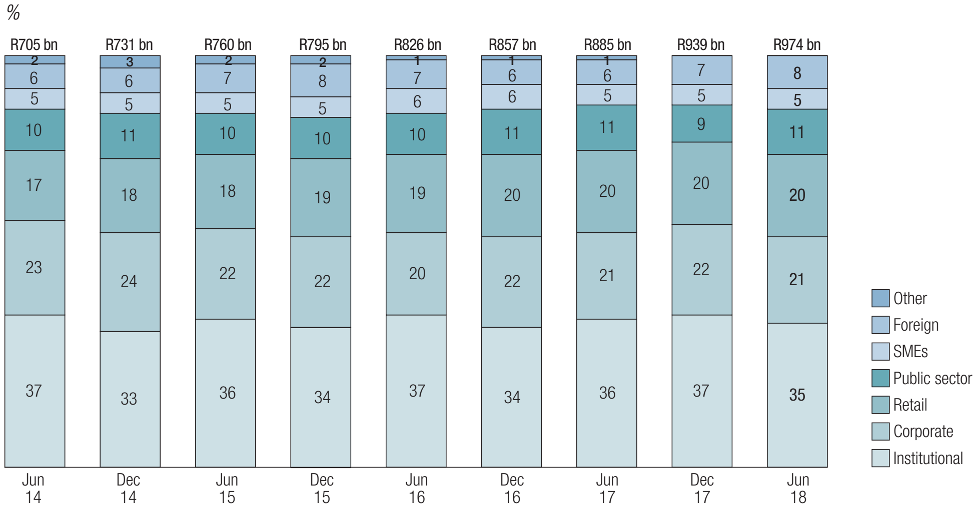
	June 2018				June 2017*
% of funding liabilities	**Total**	**Short term**	**Medium term**	**Long term**	Total
Institutional funding	**35.0**	**9.0**	**4.1**	**21.9**	35.9
Deposit franchise	**65.0**	**50.4**	**8.1**	**6.5**	64.1
Corporate	**20.6**	**17.4**	**2.3**	**0.9**	20.5
Retail	**20.3**	**15.7**	**3.2**	**1.4**	20.0
SMEs	**5.3**	**4.4**	**0.6**	**0.3**	5.4
Governments and parastatals	**11.0**	**8.8**	**1.5**	**0.7**	10.7
Foreign	**7.8**	**4.1**	**0.5**	**3.2**	6.2
Other	**–**	**–**	**–**	**–**	1.3
Total	**100.0**	**59.4**	**12.2**	**28.4**	100.0

* *2017 figures above differ from those previously disclosed due to the restatement of BA900 return.*

Funding and liquidity risk continued

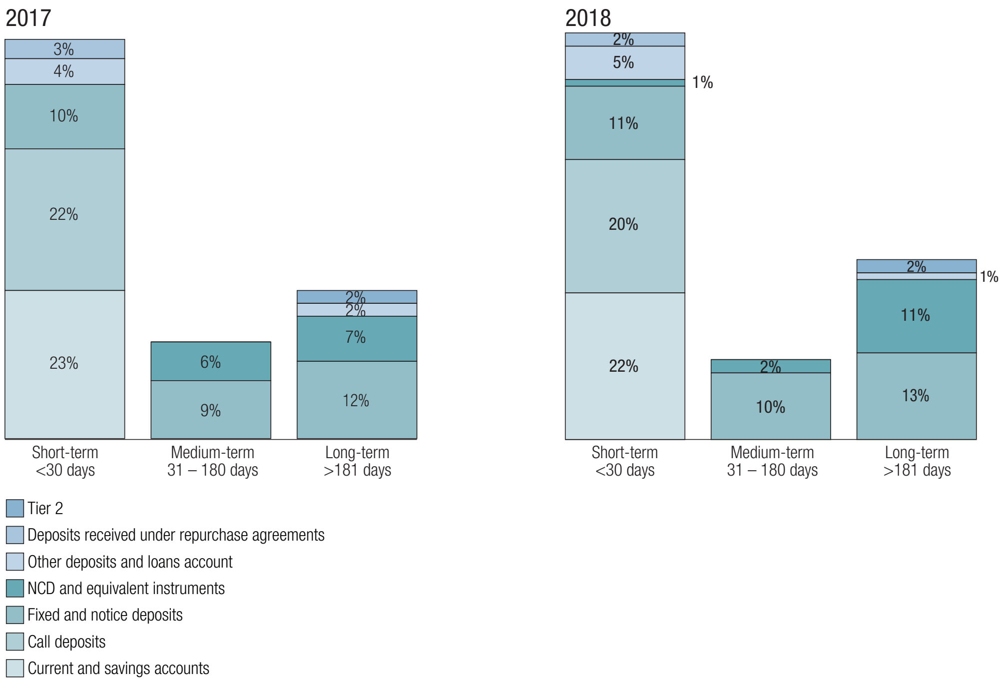
The following graph provides an analysis of the bank's funding composition by source.

BANK'S FUNDING ANALYSIS BY SOURCE (excluding foreign branches)



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

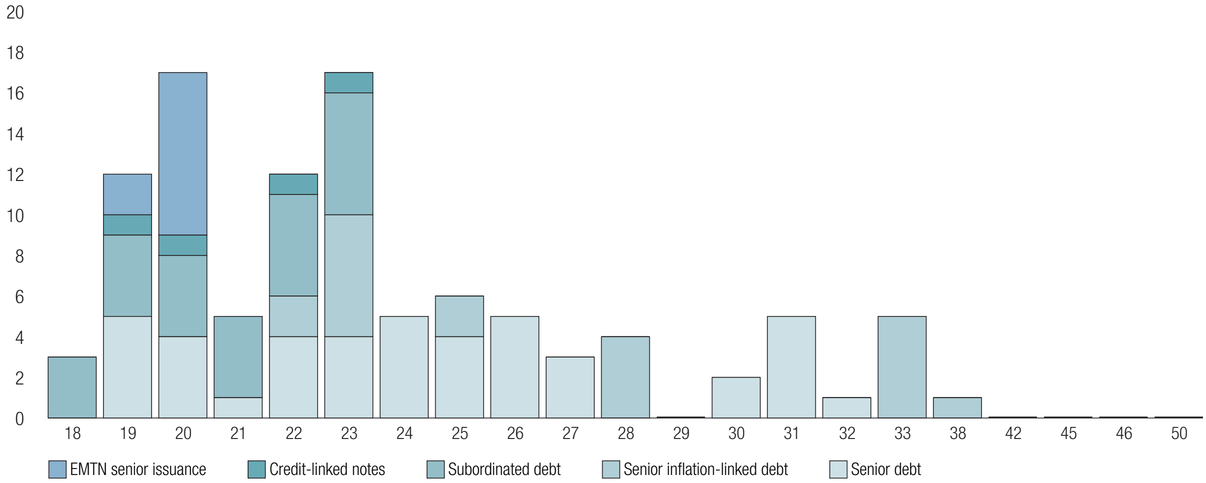
BANK'S FUNDING LIABILITIES BY INSTRUMENT TYPE AND TENOR



The maturity profile of all issued capital market instruments is shown in the following chart. The bank does not have significant concentration risk in any one year and seeks to efficiently issue across the maturity spectrum taking into consideration investor demand.

MATURITY PROFILE OF CAPITAL MARKET INSTRUMENTS OF THE BANK (excluding foreign branches)

R billion



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. The active management of foreign currency liquidity risk remains a strategic focus as the group maintains the rest of Africa growth strategy. Where fixed-rate commitments are undertaken (fixed-rate loans or fixed deposits), transfer pricing will also include the interest rate transfer price. Business is incentivised to:

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

Funding and liquidity risk continued

FOREIGN CURRENCY BALANCE SHEET

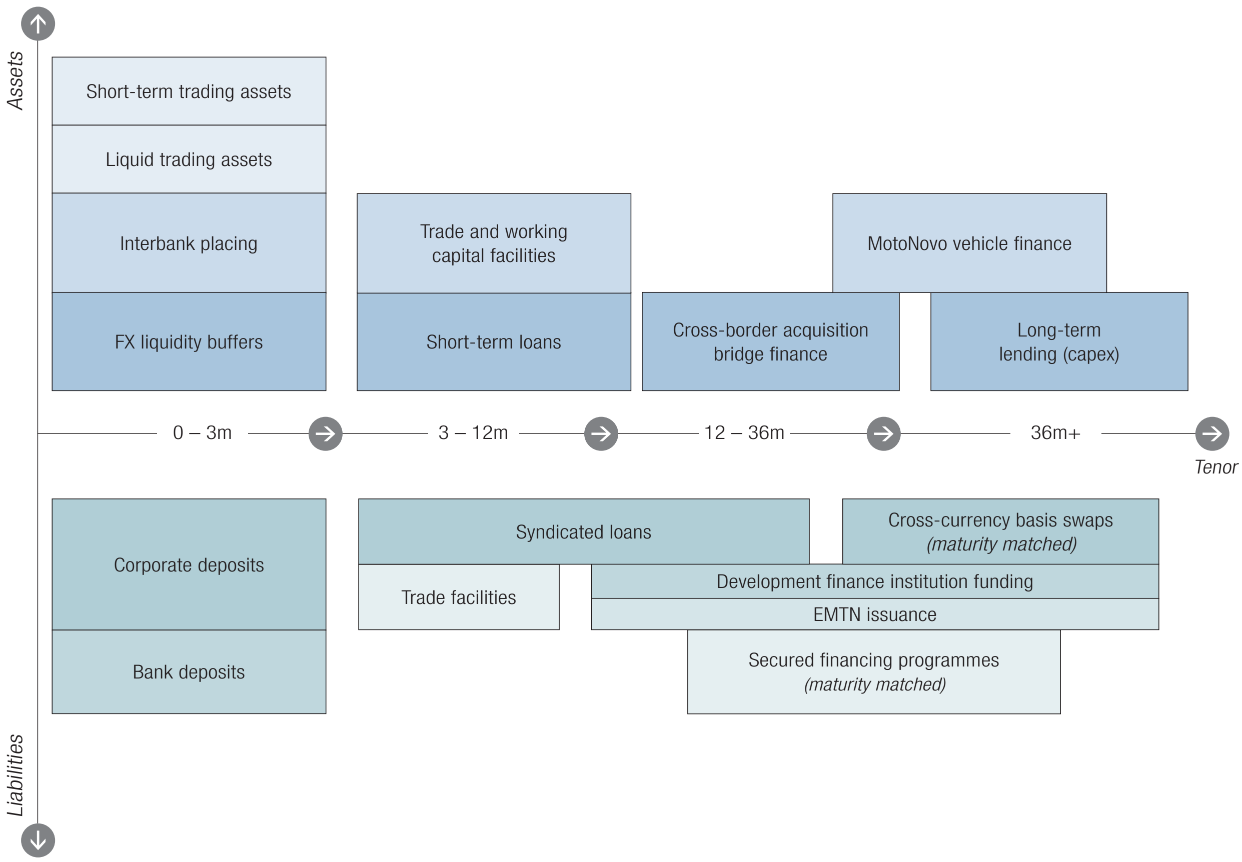
The acquisition of Aldermore alleviates some pressure on the group's foreign currency funding capacity. Once integrated, MotoNovo will be supported by Aldermore's funding platform through which all new business will be funded through a combination of on-balance sheet deposits, wholesale and structured funding. MotoNovo's back book, which currently forms part of the bank's London branch and which continues to be funded through existing funding mechanisms will, over time, be run down. Consequently, the funding capacity currently allocated to MotoNovo from the bank's domestic balance sheet can be redeployed into the group's rest of Africa growth strategies. The bank seeks to avoid undue liquidity risk exposure and thus maintains liquidity risk within the risk appetite approved by the board and risk committee. The SARB via *Exchange Control Circular 6/2010* introduced macro-prudential limits applicable to authorised dealers. The group utilises its own foreign currency balance sheet measures based on economic risk and has set internal limits below those allowed by the macro-prudential limits framework.

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

PHILOSOPHY ON FOREIGN CURRENCY EXTERNAL DEBT

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

GRAPHICAL REPRESENTATION OF THE BANK'S FOREIGN CURRENCY BALANCE SHEET



LIQUIDITY RISK POSITION

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

THE BANK'S COMPOSITION OF LIQUID ASSETS

	As at 30 June	
	2018	2017
Cash and deposits with central banks	**30**	29
Government bonds and bills	**109**	89
Other liquid assets	**43**	43
Total FirstRand Bank liquid assets	**182**	150

Liquidity buffers are actively managed via the bank's pool of high quality, highly liquid assets that are available as protection against unexpected stress events or market disruptions as well as to facilitate the variable liquidity needs of the operating businesses. The composition and quantum of the available liquid resources are defined behaviourally considering both the funding liquidity-at-risk and the market liquidity depth of these resources. In addition, adaptive overlays to liquidity requirements are derived from stress testing and scenario analysis of the cash inflows and outflows related to business activity.

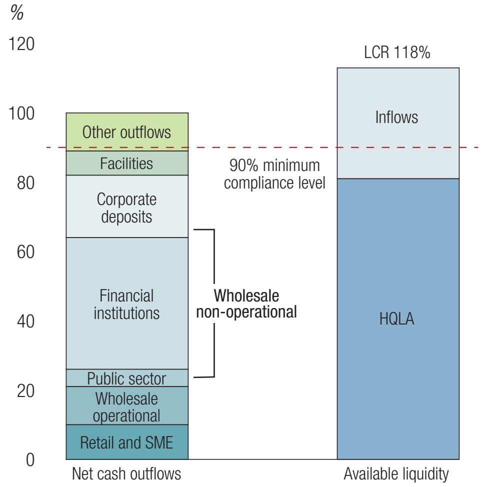
The bank's liquidity ratios at 30 June 2018 are summarised below.

	LCR*	**NSFR**
Regulatory minimum	90%	100%
Actual	118%	111%

* *LCR is calculated as a simple average of 90 calendar days' LCR observations over the preceding quarter.*

The following graph illustrates the bank's LCR position and demonstrates compliance with the 90% (2017: 80%) minimum requirement.

FRB* LCR



* *HQLA held foreign branches in excess of the required LCR minimum of 90% have been excluded as per Directive 11 of 2014.*

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

The NSFR became effective on 1 January 2018 with a minimum regulatory requirement of 100%. At 30 June 2018, the bank's NSFR was 111%.

Capital

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

- Prudential requirements
- Rating agencies' considerations
- Investor expectations
- Peer comparison
- Strategic and organic growth

- Economic and regulatory capital requirements
- Proposed regulatory, tax and accounting changes
- Macro environment and stress test impacts
- Issuance of capital instruments

The capital planning process ensures that the total capital adequacy and CET1 ratios remain within or above targets across economic and business cycles. Capital is managed on a forward-looking basis and the bank remains appropriately capitalised under a range of normal and severe stress scenarios, which include expansion initiatives, corporate transactions, as well as ongoing regulatory, accounting and tax developments. The bank aims to back all economic risk with loss-absorbing capital and remains well capitalised in the current environment. FRB's internal targets have been aligned to the PA end-state minimum capital requirements and are subject to ongoing review and consideration of various stakeholder expectations. No changes were made to the internal targets during the year.

The bank is currently subject to the PA transitional minimum capital requirements, which include a 75% phased-in requirement for the capital conservation, countercyclical (CCyB) and domestic systemically important banks (D-SIB) buffer add-ons. The PA has not implemented any CCyB requirement for South African exposures, however, the bank is required to calculate the CCyB requirement on private sector exposures in foreign jurisdictions where these buffers are applicable. Effective 27 June 2018, the Prudential Regulatory Authority implemented a 0.5% countercyclical buffer requirement for UK exposures. The CCyB requirement for the bank as at 30 June 2018 was 2 bps and is included in the disclosed minimum requirement.

The PA issued Directive 5/2017, *Regulatory treatment of accounting provisions – interim approach and transitional arrangements including disclosure and auditing aspects*, which allows banks to apply a transitional phase-in of the IFRS 9 impact for regulatory capital purposes. The transitional arrangements will only apply to incremental provisions that arise upon the adoption of IFRS 9 on 1 July 2018. The bank has adopted the transitional phase-in. Once implemented, both the phased-in and fully-loaded impact on capital will be disclosed on a quarterly basis.

The PA further issued Guidance Note 3 of 2018, *Proposed implementation dates in respect of the specified regulatory reforms*, which includes the Basel reforms finalised by the BCBS in December 2017. The impact on the bank's capital position depends on the final implementation by the PA given the level of national discretion. The bank continues to participate in the BCBS quantitative impact studies to assess and understand the impact of such reforms.

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

YEAR UNDER REVIEW

FirstRand acquired Aldermore in April 2018. FRB's capital position was impacted by the acquisition, reducing its CET1 ratio by 110 bps. The reduction relates to the payment of a dividend to the legal entity which acquired Aldermore to fund the goodwill and intangibles, as well as providing funding for the net asset value acquired.

FRB's CET1 ratio was 12.7% as at 30 June 2018, well in excess of the bank's stated targets. The capital and leverage positions as at 30 June 2018 are summarised in the following table.

CAPITAL ADEQUACY AND LEVERAGE POSITIONS

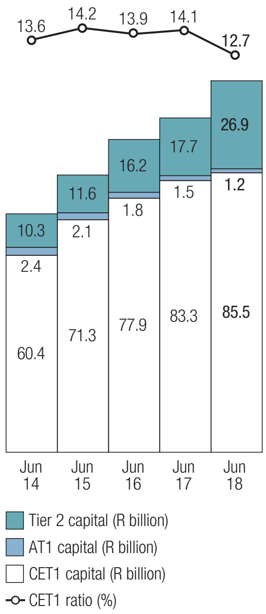
	Capital			Leverage
%	CET 1	Tier 1	Total	Total
Regulatory minimum*	7.4	8.9	11.1	4.0
Internal target	10.0 – 11.0	>12.0	>14.0	>5.0
Actual				
FRB including foreign branches				
– Including unappropriated profits	**12.7**	**12.8**	**16.8**	**6.8**
– Excluding unappropriated profits	**12.3**	**12.5**	**16.5**	**6.6**
FRB excluding foreign branches				
– Including unappropriated profits	**12.6**	**12.8**	**16.7**	**6.5**
– Excluding unappropriated profits	**12.3**	**12.5**	**16.4**	**6.4**

** Excluding the bank-specific capital requirements, however, includes the countercyclical buffer requirement.*

The capital and leverage information included in the following sections relate to FRB including foreign branches.

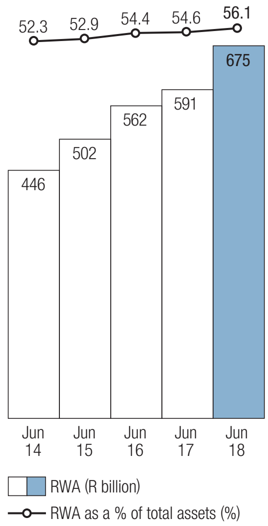
The graphs below show the historical overview of capital adequacy, RWA and leverage.

CAPITAL ADEQUACY*

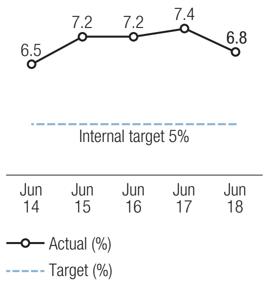


** Includes unappropriated profits.*

RWA HISTORY



LEVERAGE HISTORY*



** Includes unappropriated profits.*

Capital continued

SUPPLY OF CAPITAL

The tables below summarise the bank's qualifying capital components and related movements.

COMPOSITION OF CAPITAL ANALYSIS

	As at 30 June	
R million	**2018**	2017
Including unappropriated profits		
CET1	**85 474**	83 274
Tier 1	**86 674**	84 774
Total qualifying capital	**113 637**	102 527
Excluding unappropriated profits		
CET1	**82 990**	72 565
Tier 1	**84 190**	74 065
Total qualifying capital	**111 153**	91 818

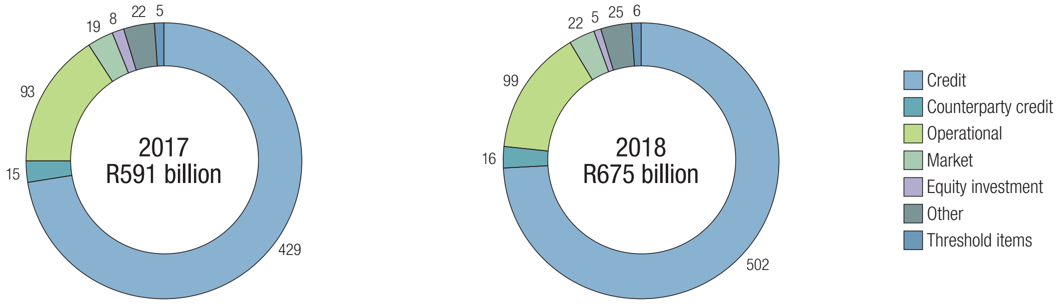
KEY DRIVERS: 2018 vs 2017

CET 1 capital	▲	> Ongoing internal capital generation through earnings, offset by the payment of a dividend related to the Aldermore acquisition.
AT1 capital	▼	> Additional 10% haircut on NCNR preference shares not compliant with Basel III.
Tier 2 capital	▲	> Issuance of Basel III-compliant instruments in September 2017 (R2.75 billion) and April 2018 ($500 million), partly offset by additional 10% haircut on Tier 2 instruments not compliant with Basel III, as well as redemption of FRB11 (R1.5 billion) in December 2017. > Tier 2 mix comprises R23.3 billion Basel III-compliant instruments and R3.0 billion old-style instruments.

DEMAND FOR CAPITAL

The graphs unpack the RWA movement year-on-year.

RWA ANALYSIS



KEY DRIVERS: 2018 vs 2017		
Credit	↑	> Organic growth, model recalibrations and exchange rate movements. > Incorporates the impact of the downgrade of the South African sovereign, state-owned entities and large corporates. > Includes the impact of the funding of the Aldermore acquisition.
Counterparty credit	↑	> Volumes and mark-to-market movements. > Incorporates the impact of the downgrade of the South African sovereign, state-owned entities and large corporates.
Operational	↑	> Recalibration of risk scenarios subject to the advanced measurement approach. > Increase in gross income for entities on the standardised approach.
Market	↑	> Volume and mark-to-market movements.
Equity investment	↓	> Disposal of investments.
Threshold items	↑	> Movement in deferred tax assets and investments in financial, banking and insurance entities (subject to 250% risk weighting).

Capital continued

CAPITAL ADEQUACY POSITION FOR THE BANK AND ITS FOREIGN BRANCHES

The bank's registered foreign branches must comply with SARB regulations and those of the respective in-country regulators, with primary focus placed on Tier 1 capital and total capital adequacy ratios. It remains the group's principle that entities are adequately capitalised on a standalone basis. Based on the outcome of detailed stress testing, each entity targets a capital level in excess of the in-country regulatory minimum.

Adequate controls and processes are in place to ensure that each entity is adequately capitalised to meet local and SARB regulatory requirements. Capital generated by branches in excess of targeted levels is returned to FRB, usually in the form of a return of profits. During the year, no restrictions were experienced on the repayment of such profits to the bank.

The RWA and capital adequacy positions of FRB and its foreign branches are summarised in the table below.

RWA AND CAPITAL ADEQUACY POSITIONS OF FRB AND ITS FOREIGN BRANCHES

	As at 30 June			
	2018			2017
	RWA R million	Tier 1 %	Total capital adequacy %	Total capital adequacy %
Basel III (SARB regulations)				
FirstRand Bank*,**	**675 384**	**12.8**	**16.8**	17.3
FirstRand Bank South Africa*	**621 428**	**12.8**	**16.7**	17.2
FirstRand Bank London	**52 499**	**9.4**	**14.8**	17.8
FirstRand Bank India	**1 613**	**39.4**	**39.9**	31.7
FirstRand Bank Guernsey#	**192**	**15.3**	**15.3**	37.9

* *Includes unappropriated profits.*

** *Includes foreign branches.*

Trading as FNB Channel Islands.

Common disclosure template

In terms of Regulation 43 of the *Regulations relating to Banks* and BCBS, the following additional capital, leverage and liquidity common disclosures are required:

- Capital
  - composition of regulatory capital;
  - reconciliation of regulatory capital to balance sheet; and
  - main features of regulatory capital instruments.
- Leverage
  - summary comparison of accounting assets vs leverage ratio exposure measure; and
  - leverage ratio common disclosure template.
- Liquidity
  - LCR; and
  - NSFR.

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

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

Regulatory update

BASEL III REFORMS	The BCBS finalised the Basel III reforms in December 2017, with a specific focus on reducing the variability of RWA. The BCBS has agreed a five-year transitional period, beginning 1 January 2022. The 2017 reforms aim to address weaknesses identified during the global financial crisis, i.e. credibility of the risk-based capital framework and to introduce constraints on the estimates banks used within internal models for regulatory capital purposes. The impact on the group capital position depends on the final implementation by the PA given a level of national discretion, however, the group continues to participate in the BCBS quantitative impact studies to assess and understand the impact of such reforms. Based on the Basel guidelines, the group is expected to comfortably meet these requirements over the transitional period.
LIQUIDITY COVERAGE RATIO	The LCR has been fully adopted by the SARB with the inclusion of a committed liquidity facility (CLF). Phasing in of the LCR commenced in 2015 and banks are required to be fully compliant by 2019. The minimum LCR requirement is currently 90%, with a final 10% incremental step-up to 100% due on 1 January 2019. The group remains focused on building a diversified pool of HQLA, which is somewhat constrained by the limited availability of these assets in the South African market. The BCBS published the LCR disclosure standards in March 2014 with the objective to reduce market uncertainty around liquidity positions. The standardised templates are completed semi-annually and the group publishes the quarterly disclosure templates on its website.
NET STABLE FUNDING RATIO	The NSFR is a structural balance sheet funding ratio focusing on promoting a more resilient banking sector. The ratio calculates the amount of available stable funding (ASF) relative to the amount of required stable funding (RSF). The ratio came into full effect as of 1 January 2018. Replacing *Directive 4 of 2016, Directive 8 of 2017* sets out the elements of national discretion exercised by the SARB in relation to the calibration of the NSFR framework for South Africa. The SARB, after due consideration and noting that rand funding is contained in the financial system, concluded it to be appropriate to apply a 35% ASF factor to deposits from financial institutions with a residual maturity of less than six months as opposed to 0% originally proposed by BCBS. In line with several other international regulators, the SARB has also provided clarity on the alignment of the CLF and NSFR, applying a 5% RSF factor to the assets (post haircut) eligible for CLF purposes. These changes are anchored in the assessment of the true liquidity risk and assist the South African banking sector in meeting the NSFR requirements.
RESOLUTION FRAMEWORK	The South African regulatory architecture has undergone significant transformation to create a regulatory framework that will support an effective resolution regime. The country has adopted a twin peaks supervisory framework model that reduces the number of agencies involved in supervision. The PA established within the SARB, and the Financial Sector Conduct Authority (FSCA), which replaces the Financial Services Board, were established on 1 April 2018. Whilst the PA/SARB is responsible for monitoring and enhancing financial stability as part of its explicit financial stability mandate, the SARB will also be responsible for assisting with the prevention of systemic events by means of its designation as the RA. The FSCA will supervise how financial institutions conduct their business and treat customers. It is also responsible for the efficiency and integrity of financial markets. In January 2018, a draft resolution framework was released to the banking industry for initial review following which it will be released to the public for general comment. This draft framework sets out the broad principles for the resolution of banks, systemically-important non-bank financial institutions and holding companies of banks, and highlights the various legislative amendments required to ensure the framework is enforceable. Detailed definitions of key elements of the resolution framework are subject to finalisation, and directives or addendums to this framework will be published once finalised. The resolution plans will allow the PA to prepare for an event from which the group's recovery actions have failed or are deemed likely to fail. Bank resolution plans will be owned and maintained by the RA, but will require a significant amount of bilateral engagement and input from the individual banks to enable the RA to develop a customised plan that is most appropriate to each bank. As part of the Resolution Framework and powers of the RA, a deposit insurance scheme (DIS) has been proposed to protect depositors and enhance financial stability. A discussion paper on designing a DIS was issued in May 2017. Given the significant impact on the banks of funding the DIS, banks continue to actively engage with the SARB and National Treasury on the size of the fund and the funding mechanics.
FINANCIAL CONGLOMERATES	The Financial Sector Regulation Act further empowers the PA to designate a group of companies as a financial conglomerate as well as to regulate and supervise such designated financial conglomerates. The PA has released the following: > draft set of financial conglomerate supervision prudential standards; > draft criteria for the designation of financial conglomerates; and > draft reporting template for an informal consultation process with the industry. The draft standards provide an early signal to the industry and affected stakeholders on the approach to the regulation and supervision of designated financial conglomerates. Comments were due by the end of August 2018 and standards are expected to be implemented during the first half of 2019.

Credit ratings

The ratings of banks domiciled in South Africa are constrained by the South African sovereign rating. This is due to the direct and indirect impact of sovereign distress on domestic banks' operations. Given the rating actions on the South African sovereign over the past 12 months, similar rating actions followed for South African banks. The following tables summarise the credit ratings of the South African sovereign and FirstRand Bank Limited as at 5 September 2018.

SOUTH AFRICAN SOVEREIGN LONG-TERM RATINGS

	Outlook	Foreign currency	Local currency
S&P	Stable	BB	BB+
Moody's	Stable	Baa3	Baa3

Sources: S&P Global Ratings and Moody's Investors Service.

FIRSTRAND BANK LIMITED

		Counterparty*		National scale		Standalone credit rating**
	Outlook	Long term	Short term	Long term	Short term	
S&P	Stable	BB	B	zaAA+	zaA-1+	bbb-
Moody's	Stable	Baa3	P-3	Aaa.za	P-1.za	baa3

* *Relates to the issuer credit rating for S&P, and long-term bank deposits ratings for Moody's.*

** *Refers to a rating agency's measure of a bank's intrinsic creditworthiness before considering external factors, e.g. affiliate or government support. S&P uses the standalone credit profile and Moody's the baseline credit assessment.*

Sources: S&P Global Ratings and Moody's Investors Service.

FirstRand Bank's standalone credit ratings continue to reflect its strong market position in South Africa, focused strategy, good core profitability, financial flexibility, robust risk management and sound capitalisation.

04 IFRS information

Presentation

BASIS OF PRESENTATION

The summary financial statements contained in this *Analysis of financial results* booklet are prepared in accordance with the JSE Listings Requirements and are derived from a complete set of the bank's financial statements.

FRB prepares its summary financial results in accordance with:

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

The directors take full responsibility and confirm that this information has been correctly extracted from the annual financial statements from which the summary financial statements were derived.

ACCOUNTING POLICIES

The accounting policies applied in the preparation of the financial statements from which the summary financial statements were derived, are in terms of IFRS.

The financial statements, from which these summary financial statements are extracted, are prepared in accordance with the going concern principle under the historical cost basis as modified by the fair value accounting of certain assets and liabilities where required or permitted by IFRS.

The accounting policies are consistent with those applied for the year ended 30 June 2017. Amendments to IAS 7 and IAS 12 became effective in the current year. These amendments have not had an impact on the bank's reported earnings, financial position or reserves, or on the accounting policies.

The amendments to IAS 7 introduces additional disclosures in the statement of cash flows and notes to the annual financial statements that will enable the users of the financial statements to evaluate changes in liabilities arising from financing activities. This amendment has been applied retrospectively on a voluntary basis and comparative information has been presented in line with the amended disclosure requirements. The amendment to IAS 12 relates to the recognition of a deferred tax asset for unrealised losses on debt instruments that are measured at fair value for accounting purposes but considered at cost for tax purposes. The bank is accounting for deferred tax of these assets in line with the amendments and the adoption of these amendments had no impact on the bank.

NORMALISED RESULTS

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

This *pro forma* financial information, which is the responsibility of the bank's directors, has been prepared for illustrative purposes to more accurately reflect operational performance and because of its nature may not fairly present in terms of IFRS, the bank's financial position, changes in equity, and results of operations or cash flows. Details of the nature of these adjustments and reasons thereof can be found on pages 87 and 88 of this *Analysis of financial results* booklet. The *pro forma* financial information should be read in conjunction with the unmodified Deloitte & Touche and PricewaterhouseCoopers Inc. independent reporting accountants' report, which is available for inspection at the registered office.

AUDITORS' REPORT

The summary financial statements for the year ended 30 June 2018 contained in this booklet have been audited by PricewaterhouseCoopers Inc. and Deloitte & Touche, who expressed an unmodified opinion thereon, in terms of ISA 810 (Revised). Refer to page 89.

The auditors also expressed an unmodified opinion on the financial statements from which the summary financial statements were derived. Unless the financial information is specifically stated as audited, it should be assumed it is unaudited.

A copy of the auditors' report on the annual financial statements are available for inspection at FirstRand's registered office, 4 Merchant Place, corner Fredman Drive and Rivonia Road, Sandton, together with the financial statements identified in the respective auditors' reports.

The auditors' report does not necessarily report on all of the information contained in these summary financial statements. Shareholders are therefore advised that in order to obtain a full understanding of the nature of the auditors' engagement they should review the auditors' report together with the accompanying financial information from the issuer's registered office.

The forward looking information has not been commented or reported on by the bank's external auditors. FirstRand's board of directors take full responsibility for the preparation of this *Analysis of financial results* booklet.

DESCRIPTION OF DIFFERENCE BETWEEN NORMALISED AND IFRS RESULTS

The bank believes normalised earnings more accurately reflect its economic performance. Headline earnings are adjusted to take into account non-operational items and accounting anomalies.

MARGIN-RELATED ITEMS INCLUDED IN FAIR VALUE INCOME

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

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

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

CLASSIFICATION OF IMPAIRMENT ON RESTRUCTURED ADVANCE

Included in gross advances and impairment of advances is an amount in respect of an advance that was restructured to an equity investment at a group level. The restructure resulted in the group, through its subsidiary FRIHL, having significant influence over the counterparty and an investment in an associate was recognised at a group level. The group believes that the circumstances that led to the impairment in the bank arose prior to the restructure. For normalised reporting, the bank retained the gross advance and impairments as it more accurately reflects the economic nature of the transaction.

Presentation continued

DESCRIPTION OF DIFFERENCE BETWEEN NORMALISED AND IFRS RESULTS continued

IAS 19 REMEASUREMENT OF PLAN ASSETS

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

CASH-SETTLED SHARE-BASED PAYMENTS AND THE ECONOMIC HEDGE

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

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

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

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

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

HEADLINE EARNINGS ADJUSTMENTS

All adjustments required by *Circular 4/2018 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 96.

Independent auditors' report on the summary financial statements

TO THE SHAREHOLDER OF FIRSTRAND BANK LIMITED

OPINION

The summary financial statements of FirstRand Bank Limited, set out on pages 90 to 111, indicated as such and contained in the accompanying analysis of financial results, which comprise the summary statement of financial position as at 30 June 2018, the summary income statement, the summary statements of other comprehensive income, changes in equity and cash flows for the year then ended, and related notes, are derived from the audited financial statements of FirstRand Bank Limited for the year ended 30 June 2018.

In our opinion, the accompanying summary financial statements are consistent, in all material respects, with the audited financial statements, in accordance with the requirements of the JSE Limited's (JSE) Listings Requirements for provisional reports, set out in the basis of presentation to the summary financial statements and the requirements of the Companies Act of South Africa as applicable to summary financial statements.

SUMMARY FINANCIAL STATEMENTS

The summary financial statements do not contain all the disclosures required by the International Financial Reporting Standards and the requirements of the Companies Act of South Africa as applicable to annual financial statements. Reading the summary financial statements and the auditors' report thereon, therefore, is not a substitute for reading the audited financial statements and the auditors' report thereon.

THE AUDITED FINANCIAL STATEMENTS AND OUR REPORT THEREON

We expressed an unmodified audit opinion on the audited financial statements in our report dated 5 September 2018. That report also includes the communication of key audit matters. Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period.

DIRECTORS' RESPONSIBILITY FOR THE SUMMARY FINANCIAL STATEMENTS

The directors are responsible for the preparation of the summary financial statements in accordance with the requirements of the JSE Listings Requirements for provisional reports, set out in the basis of presentation to the summary financial statements, and the requirements of the Companies Act of South Africa as applicable to summary financial statements.

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on whether the summary financial statements are consistent, in all material respects, with the audited financial statements based on our procedures, which were conducted in accordance with *International Standard on Auditing (ISA) 810 (Revised), Engagements to Report on Summary Financial Statements.*

Deloitte & Touche

Deloitte & Touche
Registered Auditor

Per Partner: Darren Shipp
Johannesburg

5 September 2018

PricewaterhouseCoopers Inc.

PricewaterhouseCoopers Inc.
Registered Auditor

Director: Francois Prinsloo
Johannesburg

5 September 2018

Summary income statement – IFRS (audited)

for the year ended 30 June

R million	2018	2017	% change
Net interest income before impairment of advances	**41 163**	38 649	7
Impairment and fair value of credit of advances	**(6 659)**	(6 984)	(5)
Net interest income after impairment of advances	**34 504**	31 665	9
Non-interest revenue	**33 687**	30 949	9
Income from operations	**68 191**	62 614	9
Operating expenses	**(40 697)**	(37 669)	8
Income before tax	**27 494**	24 945	10
Indirect tax	**(805)**	(876)	(8)
Profit before tax	**26 689**	24 069	11
Income tax expense	**(6 172)**	(5 532)	12
Profit for the year	**20 517**	18 537	11
Attributable to			
Ordinary equityholders	**20 283**	18 300	11
NCNR preference shareholders	**234**	237	(1)
Profit for the year	**20 517**	18 537	11

Summary statement of other comprehensive income – IFRS (audited)

for the year ended 30 June

R million	2018	2017	% change
Profit for the year	**20 517**	18 537	11
Items that may subsequently be reclassified to profit or loss			
Cash flow hedges	**185**	(150)	(>100)
Fair value gains/(losses) arising during the year	**325**	(141)	(>100)
Reclassification adjustments for amounts included in profit or loss	**(68)**	(67)	1
Deferred income tax	**(72)**	58	(>100)
Available-for-sale financial assets	**(731)**	(393)	86
Losses arising during the year	**(848)**	(483)	76
Reclassification adjustments for amounts included in profit or loss	**(144)**	(67)	>100
Deferred income tax	**261**	157	66
Exchange differences on translating foreign operations	**285**	(512)	(>100)
Gains/(losses) arising during the year	**285**	(512)	(>100)
Items that may not subsequently be reclassified to profit or loss			
Remeasurements on defined benefit post-employment plans	**13**	171	(92)
Gains arising during the year	**18**	237	(92)
Deferred income tax	**(5)**	(66)	(92)
Other comprehensive loss for the year	**(248)**	(884)	(72)
Total comprehensive income for the year	**20 269**	17 653	15
Attributable to			
Ordinary equityholders	**20 035**	17 416	15
NCNR preference shareholders	**234**	237	(1)
Total comprehensive income for the year	**20 269**	17 653	15

Summary statement of financial position – IFRS (audited)

as at 30 June

R million	2018	2017
ASSETS		
Cash and cash equivalents	**71 511**	53 924
Derivative financial instruments	**41 386**	35 098
Commodities	**13 424**	14 380
Investment securities	**157 238**	127 972
Advances	**843 806**	799 419
– Advances to customers	**787 441**	752 479
– Marketable advances	**56 365**	46 940
Accounts receivable	**6 075**	5 651
Current tax asset	**94**	1
Amounts due by holding company and fellow subsidiaries	**52 419**	28 869
Property and equipment	**15 379**	14 928
Intangible assets	**383**	233
Deferred income tax asset	**2 162**	1 676
Total assets	**1 203 877**	1 082 151
EQUITY AND LIABILITIES		
Liabilities		
Short trading positions	**9 981**	15 211
Derivative financial instruments	**50 238**	43 660
Creditors, accruals and provisions	**14 194**	13 079
Current tax liability	**86**	123
Deposits	**977 258**	876 690
Employee liabilities	**10 178**	8 840
Other liabilities	**4 381**	4 225
Amounts due to holding company and fellow subsidiaries	**19 993**	14 580
Tier 2 liabilities	**26 668**	18 370
Total liabilities	**1 112 977**	994 778
Equity		
Ordinary shares	**4**	4
Share premium	**16 804**	16 804
Reserves	**71 092**	67 565
Capital and reserves attributable to ordinary equityholders	**87 900**	84 373
NCNR preference shares	**3 000**	3 000
Total equity	**90 900**	87 373
Total equity and liabilities	**1 203 877**	1 082 151

Summary statement of cash flows – IFRS (audited)
for the year ended 30 June

R million	2018	2017
Cash flows from operating activities		
Interest, fee and commission receipts	**102 413**	93 130
Trading and other income	**3 681**	3 028
Interest payments	**(37 662)**	(32 659)
Other operating expenses	**(31 571)**	(29 945)
Dividends received	**3 368**	3 366
Dividends paid	**(16 742)**	(12 200)
Taxation paid*	**(7 244)**	(6 360)
Cash generated from operating activities	**16 243**	18 360
Movements in operating assets and liabilities	**(3 201)**	(11 241)
– Liquid assets and trading securities*	**(28 339)**	(15 324)
– Advances*	**(47 181)**	(45 182)
– Deposits	**98 888**	53 432
– Movement in accounts receivable and creditors	**(153)**	(634)
– Employee liabilities	**(4 595)**	(4 746)
– Other operating liabilities	**(21 821)**	1 213
Net cash generated from operating activities	**13 042**	7 119
Cash flows from investing activities		
Acquisition of property and equipment	**(3 208)**	(4 094)
Proceeds on disposal of property and equipment	**416**	448
Acquisition of intangible assets	**(241)**	(221)
Net cash outflow from investing activities	**(3 033)**	(3 867)
Cash flows from financing activities		
Proceeds on the issue of other liabilities	**889**	446
Redemption of other liabilities	**(790)**	(1 594)
Proceeds from issue of Tier 2 liabilities	**8 815**	2 250
Repayment of Tier 2 liabilities	**(1 372)**	(1 348)
Net cash inflow/(outflow) from financing activities	**7 542**	(246)
Net increase in cash and cash equivalents	**17 551**	3 006
Cash and cash equivalents at the beginning of the year	**53 924**	50 997
Effect of exchange rate changes on cash and cash equivalents	**36**	(79)
Cash and cash equivalents at the end of the year	**71 511**	53 924
Mandatory reserve balances included above**	**23 478**	21 403

* *Certain prior year numbers have been restated due to reclassifications. The reclassification was between liquid assets and trading securities and advances amounting to R44 395 million. The net impact on the prior year cash generated from operating activities was nil. In addition, in the current year taxation paid was reclassified from movement in operating assets and liabilities to cash generated from operations. The reclassification amounted to R6 360 million. The net impact on the prior year cash generated from operating activities was R6 360 million with a nil impact on net cash generated from operating activities.*

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

Summary statement of changes in equity – IFRS (audited)

for the year ended 30 June

R million	Ordinary share capital and ordinary equityholder's funds				
	Share capital	Share premium	**Share capital and share premium**	Defined benefit post-employment reserve	Cash flow hedge reserve
Balance as at 1 July 2016	4	16 804	**16 808**	(898)	308
Ordinary dividends	–	–	**–**	–	–
Preference dividends	–	–	**–**	–	–
Movement in other reserves	–	–	**–**	–	–
Total comprehensive income for the year	–	–	**–**	171	(150)
Balance as at 30 June 2017	4	16 804	**16 808**	(727)	158
Ordinary dividends	–	–	**–**	–	–
Preference dividends	–	–	**–**	–	–
Movement in other reserves	–	–	**–**	–	–
Total comprehensive income for the year	–	–	**–**	13	185
Balance as at 30 June 2018	4	16 804	**16 808**	(714)	343

	Ordinary share capital and ordinary equityholder's funds						
	Available-for-sale reserve	Foreign currency translation reserve	Other reserves	Retained earnings	**Reserves attributable to ordinary equity-holders**	**NCNR preference shares**	**Total equity**
	(100)	958	1 345	60 498	**62 111**	**3 000**	**81 919**
	–	–	–	(11 963)	**(11 963)**	**–**	**(11 963)**
	–	–	–	–	**–**	**(237)**	**(237)**
	–	–	–	1	**1**	**–**	**1**
	(393)	(512)	–	18 300	**17 416**	**237**	**17 653**
	(493)	446	1 345	66 836	**67 565**	**3 000**	**87 373**
	–	–	–	(16 508)	**(16 508)**	**–**	**(16 508)**
	–	–	–	–	**–**	**(234)**	**(234)**
	–	–	–	–	**–**	**–**	**–**
	(731)	285	–	20 283	**20 035**	**234**	**20 269**
	(1 224)	731	1 345	70 611	**71 092**	**3 000**	**90 900**

Statement of headline earnings – IFRS

for the year ended 30 June

R million	2018	2017	% change
Profit for the year (refer page 90)	**20 517**	18 537	11
NCNR preference shareholders	**(234)**	(237)	(1)
Earnings attributable to ordinary equityholders	**20 283**	18 300	11
Adjusted for	**(207)**	(31)	>100
Gain on disposal of investment securities and other investments of a capital nature	**(29)**	–	
Gain on disposal of available-for-sale assets	**(144)**	(66)	
(Gain)/loss on the disposal of property and equipment	**(9)**	26	
Reversal of impairment of assets in terms of IAS 36	**–**	(4)	
Other	**(31)**	–	
Tax effects of adjustments	**6**	13	
Headline earnings	**20 076**	18 269	10

Reconciliation from headline to normalised earnings

for the year ended 30 June

R million	2018	2017	% change
Headline earnings	**20 076**	18 269	10
Adjusted for:	**94**	(180)	(>100)
TRS and IFRS 2 liability remeasurement*	**(56)**	(63)	(11)
Private equity-related realisation	**259**	–	100
IAS 19 adjustment	**(109)**	(117)	(7)
Normalised earnings	**20 170**	18 089	12

* *The bank uses a TRS with external parties to hedge itself against the exposure to changes in the FirstRand share price associated with the bank's long-term incentive schemes.*

The TRS is accounted for as a derivative in terms of IFRS, with the full fair value change recognised in NIR.

In the current year, FirstRand's share price increased R16.74 during the year and during the prior year increased R2.31.

This resulted in a significant mark-to-market fair value profit in the current period (compared to a loss in the prior period) being included in the bank's IFRS attributable earnings. The normalised results reflect the adjustment to normalise this period-on-period IFRS fair value volatility from the TRS, as described in more detail on page 88.

Reconciliation of normalised to IFRS summary income statement

for the year ended 30 June 2018

R million	**Normalised**	IAS 19 adjustment	Margin-related items included in fair value income	TRS adjustment	Private equity realisations	Headline earnings	**IFRS**
Net interest income before impairment of advances	**42 746**	–	(1 679)	96	–	–	**41 163**
Impairment charge	**(6 659)**	–	–	–	–	–	**(6 659)**
Net interest income after impairment of advances	**36 087**	–	(1 679)	96	–	–	**34 504**
Non-interest revenue	**31 602**	–	1 679	452	(259)	213	**33 687**
Income from operations	**67 689**	–	–	548	(259)	213	**68 191**
Operating expenses	**(40 378)**	151	–	(470)	–	–	**(40 697)**
Income before tax	**27 311**	151	–	78	(259)	213	**27 494**
Indirect tax	**(805)**	–	–	–	–	–	**(805)**
Profit before tax	**26 506**	151	–	78	(259)	213	**26 689**
Income tax expense	**(6 102)**	(42)	–	(22)	–	(6)	**(6 172)**
Profit for the year	**20 404**	109	–	56	(259)	207	**20 517**
Attributable to							
NCNR preference shareholders	**(234)**	–	–	–	–	–	**(234)**
Ordinary equityholders	**20 170**	109	–	56	(259)	207	**20 283**
Headline and normalised earnings adjustments	**–**	(109)	–	(56)	259	(207)	**(113)**
Normalised earnings attributable to ordinary equityholders of the bank	**20 170**	–	–	–	–	–	**20 170**

Reconciliation of normalised to IFRS summary income statement

for the year ended 30 June 2017

R million	Normalised	IAS 19 adjustment	Margin-related items included in fair value income	TRS adjustment	Private equity realisations	Headline earnings	IFRS
Net interest income before impairment of advances	39 849	–	(1 287)	87	–	–	38 649
Impairment charge	(6 984)	–	–	–	–	–	(6 984)
Net interest income after impairment of advances	32 865	–	(1 287)	87	–	–	31 665
Non-interest revenue	29 506	–	1 287	116	–	40	30 949
Income from operations	62 371	–	–	203	–	40	62 614
Operating expenses	(37 721)	163	–	(115)	–	4	(37 669)
Income before tax	24 650	163	–	88	–	44	24 945
Indirect tax	(876)	–	–	–	–	–	(876)
Profit before tax	23 774	163	–	88	–	44	24 069
Income tax expense	(5 448)	(46)	–	(25)	–	(13)	(5 532)
Profit for the year	18 326	117	–	63	–	31	18 537
Attributable to							
NCNR preference shareholders	(237)	–	–	–	–	–	(237)
Ordinary equityholders	18 089	117	–	63	–	31	18 300
Headline and normalised earnings adjustments	–	(117)	–	(63)	–	(31)	(211)
Normalised earnings attributable to ordinary equityholders of the bank	18 089	–	–	–	–	–	18 089

Fair value measurements (audited)

VALUATION METHODOLOGY

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

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

NON-RECURRING FAIR VALUE MEASUREMENTS

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

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

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

FINANCIAL INSTRUMENTS

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

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

FINANCIAL INSTRUMENTS NOT MEASURED AT FAIR VALUE

This category includes assets and liabilities not measured at fair value but for which fair value disclosures are required under another IFRS, e.g. financial instruments at amortised cost. Except for the amounts included on page 109, for all other financial instruments at amortised cost the carrying value is equal to or a reasonable approximation of the fair value.

FAIR VALUE HIERARCHY AND MEASUREMENTS

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

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

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

FAIR VALUE HIERARCHY AND MEASUREMENTS continued

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

INSTRUMENT	VALUATION TECHNIQUE	DESCRIPTION OF VALUATION TECHNIQUE AND MAIN ASSUMPTIONS	OBSERVABLE INPUTS
DERIVATIVE FINANCIAL INSTRUMENTS			
Forward rate agreements	Discounted cash flows	Future cash flows are projected using a forward curve and then discounted using a market-related discount curve over the contractual period. The reset date is determined in terms of legal documents.	Market interest rates, interest rate curves and credit spreads
Swaps	Discounted cash flows	Future cash flows are projected using a forward curve and then discounted using a market-related discount curve over the contractual period. The reset date of each swaplet is determined in terms of legal documents.	Market interest rates and interest rate, credit and currency basis curves
Options	Option pricing model	The Black Scholes model is used.	Strike price of the option, market-related discount rate and forward rate
Forwards	Discounted cash flows	Future cash flows are projected using a forward curve and then discounted using a market-related discount curve over the contractual period. Projected cash flows are obtained by subtracting the strike price of the forward contract from the market projected forward value.	Spot price of underlying instrument, interest rate curves and dividend yield
Equity derivatives	Industry standard models	The models calculate fair value based on input parameters such as share prices, dividends, volatilities, interest rates, equity repo curves and, for multi-asset products, correlations. Unobservable model inputs are determined by reference to liquid market instruments and applying extrapolation techniques to match the appropriate risk profile.	Market interest rates, interest rate curves, volatilities, dividends and share prices
LOANS AND ADVANCES TO CUSTOMERS			
Other loans and advances	Discounted cash flows	Future cash flows are discounted using market-related interest rates adjusted for credit inputs over the contractual period. Although the fair value of credit is not significant year-on-year it may become significant in future. In the event that credit spreads are observable for a counterparty, loans and advances to customers are classified as level 2 of the fair value hierarchy.	Market interest rates, interest rate curves and credit spreads
INVESTMENT SECURITIES			
Equities listed in an inactive market	Discounted cash flows	For listed equities, the listed price is used where the market is active (i.e. level 1). However, if the market is not active and the listed price is not representative of fair value, a valuation technique is used to determine the fair value. The valuation technique will be based on risk parameters of comparable securities and the potential pricing difference in spread and/or price terms with the traded comparable is considered. Future cash flows are discounted using market-related interest rates. Where the valuation technique incorporates observable inputs, level 2 of the fair value hierarchy is deemed appropriate.	Market interest rates and interest rate curves

Fair value measurements (audited) continued

FAIR VALUE HIERARCHY AND MEASUREMENTS continued

INSTRUMENT	VALUATION TECHNIQUE	DESCRIPTION OF VALUATION TECHNIQUE AND MAIN ASSUMPTIONS	OBSERVABLE INPUTS
INVESTMENT SECURITIES continued			
Unlisted bonds or bonds listed in an inactive market	Discounted cash flows	Unlisted bonds or bonds listed in an inactive market are valued similarly to advances measured at fair value. Future cash flows are discounted using market-related interest rates adjusted for credit inputs over the contractual period. Where the valuation technique incorporates observable inputs for credit risk, level 2 of the fair value hierarchy is deemed appropriate.	Market interest rates and interest rate curves
Unlisted equities	Price/earnings (P/E) model and discounted cash flows	For unlisted equities, the earnings included in the model are derived from a combination of historical and budgeted earnings depending on the specific circumstances of the entity whose equity is being valued. The P/E multiple is derived from current market observations taking into account an appropriate discount for unlisted companies. The valuation of these instruments may be corroborated by a discounted cash flow valuation or by the observation of other market transactions that have taken place in which case level 2 classifications are used.	Market transactions
Negotiable certificates of deposit	Discounted cash flows	Future cash flows are discounted using market-related interest rates. Inputs to these models include information that is consistent with similar market quoted instruments, where available.	Market interest rates and interest rate curves
Treasury bills	JSE Debt Market bond pricing model	The JSE Debt Market bond pricing model uses the JSE Debt Market mark-to-market bond yield.	Market interest rates and interest rate curves
Investments in funds and unit trusts	Third party valuations	For certain investments in funds (such as hedge funds) or unit trusts, where an internal valuation technique is not applied, the bank places reliance on valuations from third parties such as broker quotes or valuations from asset managers. Where considered necessary, the bank applies minority and marketability or liquidity discount adjustments to these third party valuations. Third party valuations are reviewed by the relevant franchise's investment committee on a regular basis. Where these underlying investments are listed, these third party valuations can be corroborated with reference to listed share prices and other market data and are thus classified in level 2 of the fair value hierarchy.	Market transactions (listed)
DEPOSITS			
Call and non-term deposits	None – the undiscounted amount is used	The undiscounted amount of the deposit is the fair value due to the short-term nature of the instruments. These deposits are financial liabilities with a demand feature and the fair value is not less than the amount payable on demand, i.e. the undiscounted amount of the deposit.	None – the undiscounted amount approximates fair value and no valuation is performed
Other deposits	Discounted cash flows	The forward curve adjusted for liquidity premiums and business unit margins. The valuation methodology does not take early withdrawals and other behavioural aspects into account.	Market interest rates and interest rate curves
Other liabilities	Discounted cash flows	Future cash flows are discounted using market-related interest rates. Where the value of a liability is linked to the performance of an underlying and the underlying is observable, these liabilities are classified at level 2.	Market interest rates and performance of underlying
Financial assets and liabilities not measured at fair value but for which fair value is disclosed	Discounted cash flows	Future cash flows are discounted using market-related interest rates and curves adjusted for credit inputs.	Market interest rates and interest rate curves

FAIR VALUE HIERARCHY AND MEASUREMENTS continued

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

INSTRUMENT	VALUATION TECHNIQUE	DESCRIPTION OF VALUATION TECHNIQUE AND MAIN ASSUMPTIONS	SIGNIFICANT UNOBSERVABLE INPUTS
DERIVATIVE FINANCIAL INSTRUMENTS			
Option	Option pricing model	The Black Scholes model is used.	Volatilities
Equity derivatives	Industry standard models	The models calculate fair value based on input parameters such as share prices, dividends, volatilities, interest rates, equity repo curves and, for multi-asset products, correlations. Unobservable model inputs are determined by reference to liquid market instruments and applying extrapolation techniques to match the appropriate risk profile.	Volatilities and unlisted share prices
LOANS AND ADVANCES TO CUSTOMERS			
Investment banking book	Discounted cash flows	The bank has elected to designate the investment banking book advances at fair value through profit or loss. Credit risk is not observable and could have a significant impact on the fair value measurement of these advances and as such, these advances are classified as level 3 on the fair value hierarchy. Future cash flows are discounted using market-related interest rates. To calculate the fair value of credit the bank uses a valuation methodology based on the credit spread matrix, which considers loss given default, tenor and the internal credit committee rating criteria. The fair value measurement includes the original credit spread and is repriced when there is a change in rating of the counterparty. A decline in credit rating would result in an increase in the spread above the base rate for discounting purposes and consequently a reduction of the fair value of the advance. Similarly, an increase in credit rating would result in a decrease in the spread below the base rate and an increase of the fair value of the advance.	Credit inputs
Other loans and advances	Discounted cash flows	Future cash flows are discounted using market-related interest rates adjusted for credit inputs over the contractual period. Although the fair value of credit is not significant year-on-year it may become significant in future. For this reason, together with the fact that the majority of South African counterparties do not have actively traded or observable credit spreads, the bank has classified other loans and advances to customers at level 3 of the fair value hierarchy.	Credit inputs

Fair value measurements (audited) continued

FAIR VALUE HIERARCHY AND MEASUREMENTS continued

INSTRUMENT	VALUATION TECHNIQUE	DESCRIPTION OF VALUATION TECHNIQUE AND MAIN ASSUMPTIONS	SIGNIFICANT UNOBSERVABLE INPUTS
INVESTMENT SECURITIES			
Equities listed in an inactive market	Discounted cash flows	For listed equities, the listed price is used where the market is active (i.e. level 1). However, if the market is not active and the listed price is not representative of fair value, a valuation technique is used to determine the fair value. The valuation technique will be based on risk parameters of comparable securities and the potential pricing difference in spread and/or price terms with the traded comparable is considered. Future cash flows are discounted using market-related interest rates. Where the valuation technique incorporates unobservable inputs for equities e.g. P/E ratios, level 3 of the fair value hierarchy is deemed appropriate.	Unobservable P/E ratios
Unlisted bonds or bonds listed in an inactive market	Discounted cash flows	Unlisted bonds or bonds in an inactive market are valued similarly to advances measured at fair value. The future cash flows are discounted using market-related interest rates adjusted for credit inputs over the contractual period. Where the valuation technique incorporates unobservable inputs for credit risk, level 3 of the fair value hierarchy is deemed appropriate.	Credit inputs
Unlisted equities	P/E model and discounted cash flows	For unlisted equities, the earnings included in the model are derived from a combination of historical and budgeted earnings depending on the specific circumstances of the entity whose equity is being valued. The P/E multiple is derived from current market observations taking into account an appropriate discount rate for unlisted companies. The valuation of these instruments may be corroborated by a discounted cash flow valuation or by the observation of other market transactions that have taken place.	Growth rates and P/E ratios
Investments in funds and unit trusts	Third party valuations	For certain investments in funds (such as hedge funds) or unit trusts, where an internal valuation technique is not applied, the bank places reliance on valuations from third parties such as broker quotes or valuations from asset managers. Where considered necessary, the bank applies minority and marketability or liquidity discount adjustments to these third party valuations. Third party valuations are reviewed by the relevant franchise's investment committee on a regular basis. Where these underlying investments are unlisted, the bank has classified these in level 3 of the fair value hierarchy, as there is no observable market data to which to compare the third party valuations.	None (unlisted) – third party valuations used, minority and marketability adjustments

FAIR VALUE HIERARCHY AND MEASUREMENTS continued

INSTRUMENT	VALUATION TECHNIQUE	DESCRIPTION OF VALUATION TECHNIQUE AND MAIN ASSUMPTIONS	SIGNIFICANT UNOBSERVABLE INPUTS
DEPOSITS			
Deposits that represent collateral on credit-linked notes	Discounted cash flows	These deposits represent the collateral leg of credit-linked notes. The forward curve adjusted for liquidity premiums and business unit margins is used. The valuation methodology does not take early withdrawals and other behavioural aspects into account.	Credit inputs on related advances
Other deposits	Discounted cash flows	The forward curve adjusted for liquidity premiums and business unit margins. The valuation methodology does not take early withdrawals and other behavioural aspects into account.	Credit inputs
Other liabilities	Discounted cash flows	For preference shares which require the bank to share a portion of profits of underlying contracts with a third party, the value of the liability is linked to the performance of the underlying. Where the underlying is not observable, these liabilities are therefore classified as level 3. Future cash flows are discounted using market-related interest rates, adjusted for the performance of the underlying contracts.	Performance of underlying contracts
Financial assets and liabilities not measured at fair value but for which fair value is disclosed	Discounted cash flows	Future cash flows are discounted using market-related interest rates and curves adjusted for credit inputs.	Credit inputs

NON-RECURRING FAIR VALUE MEASUREMENTS

For non-recurring fair value measurements the fair value hierarchy classification and valuation technique applied in determining fair value will depend on the underlying asset or liability being measured. Where the underlying assets or liabilities are those for which recurring fair value measurements are required as listed in the table above, the technique applied and the inputs into the models would be in line with those as set out in the table. There were no assets or liabilities measured at fair value on a non-recurring basis in the current and prior year.

Fair value measurements (audited) continued

FAIR VALUE HIERARCHY AND MEASUREMENTS continued

FAIR VALUE HIERARCHY

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

	2018			
R million	Level 1	Level 2	Level 3	Total fair value
Assets				
Recurring fair value measurements				
Derivative financial instruments	244	40 579	563	41 386
Investment securities	94 672	29 872	1 468	126 012
Advances	–	26 958	167 052	194 010
Commodities	13 424	–	–	13 424
Amounts due by holding company and fellow subsidiaries	–	603	–	603
Total assets measured at fair value	108 340	98 012	169 083	375 435
Liabilities				
Recurring fair value measurements				
Short trading positions	9 981	–	–	9 981
Derivative financial instruments	21	49 587	630	50 238
Deposits	1 354	93 006	344	94 704
Other liabilities	–	2 079	1 529	3 608
Amounts due to holding company and fellow subsidiaries	–	336	–	336
Total liabilities measured at fair value	11 356	145 008	2 503	158 867

	2017			
R million	Level 1	Level 2	Level 3	Total fair value
Assets				
Recurring fair value measurements				
Derivative financial instruments	268	34 822	8	35 098
Investment securities	79 501	18 721	1 989	100 211
Advances	–	33 132	195 376	228 508
Commodities	14 380	–	–	14 380
Amounts due by holding company and fellow subsidiaries	–	302	–	302
Total assets measured at fair value	94 149	86 977	197 373	378 499
Liabilities				
Recurring fair value measurements				
Short trading positions	15 211	–	–	15 211
Derivative financial instruments	307	43 120	233	43 660
Deposits	1 963	74 836	386	77 185
Other liabilities	–	2 226	1 519	3 745
Amounts due to holding company and fellow subsidiaries	–	330	–	330
Total liabilities measured at fair value	17 481	120 512	2 138	140 131

FAIR VALUE HIERARCHY AND MEASUREMENTS continued

TRANSFERS BETWEEN FAIR VALUE HIERARCHY LEVELS

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

	2018		
R million	**Transfers in**	**Transfers out**	**Reasons for significant transfer in**
Level 1	**–**	**–**	There were no transfers into level 1.
Level 2	**34**	**(1 070)**	Certain over-the-counter equity options have been transferred into level 2 in the current year as the inputs used in the valuation of these positions have become observable as the maturity of these trades are less than twelve months.
Level 3	**1 070**	**(34)**	Market volatilities are only available for a limited range of strike prices. The further away over-the-counter equity options are from the trade date, the more likely it becomes that the strike prices are outside the prevailing range of strike prices for which volatilities are available. During the current year the observability of volatilities used in determining the fair value of certain over-the-counter equity options became unobservable and resulted in the transfer into level 3 of the fair value hierarchy.
Total transfers	**1 104**	**(1 104)**	

	2017		
R million	Transfers in	Transfers out	Reasons for significant transfer in
Level 1	–	–	There were no transfers into level 1.
Level 2	–	(38)	There were no transfers into level 2.
Level 3	38	–	The JSE publishes volatilities of strike prices of options between 70% and 130%. Any volatility above or below this range results in inputs becoming unobservable. During the current year the observability of volatilities used in determining the fair value of certain over-the-counter options became unobservable and resulted in the transfer of R38 million out of level 2 into level 3 of the fair value hierarchy.
Total transfers	38	(38)	

Fair value measurements (audited) continued

ADDITIONAL DISCLOSURES FOR LEVEL 3 FINANCIAL INSTRUMENTS

CHANGES IN LEVEL 3 INSTRUMENTS WITH RECURRING FAIR VALUE MEASUREMENTS

The following table shows a reconciliation of the opening and closing balances for assets and liabilities measured at fair value on a recurring basis classified as level 3 in terms of the fair value hierarchy.

R million	Derivative financial assets	Advances	Investment securities	Derivative financial liabilities	Deposits	Other liabilities
Balance as at 30 June 2016	–	199 275	1 846	128	528	1 457
Gains/(losses) recognised in profit or loss	8	14 848	22	71	(39)	174
Gains/(losses) recognised in other comprehensive income	–	(2)	50	–	–	–
Purchases, sales, issues and settlements	–	(17 847)	71	(4)	(103)	(112)
Transfers into level 3	–	–	–	38	–	–
Exchange rate differences	–	(898)	–	–	–	–
Balance as at 30 June 2017	8	195 376	1 989	233	386	1 519
Gains/(losses) recognised in profit or loss	**(17)**	**15 480**	**(66)**	**(109)**	**9**	**159**
Gains/(losses) recognised in other comprehensive income	**–**	**(2)**	**(31)**	**–**	**–**	**–**
Purchases, sales, issues and settlements	**40**	**(44 079)**	**(424)**	**2**	**(51)**	**(149)**
Transfers into level 3	**532**	**–**	**–**	**504**	**–**	**–**
Exchange rate differences	**–**	**277**	**–**	**–**	**–**	**–**
Balance as at 30 June 2018	**563**	**167 052**	**1 468**	**630**	**344**	**1 529**

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

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

ADDITIONAL DISCLOSURES FOR LEVEL 3 FINANCIAL INSTRUMENTS continued

UNREALISED GAINS OR LOSSES ON LEVEL 3 INSTRUMENTS WITH RECURRING FAIR VALUE MEASUREMENTS

The valuation model for level 3 assets or liabilities typically relies on a number of inputs that are readily observable either directly or indirectly. Thus, the gains and losses presented below include changes in the fair value related to both observable and unobservable inputs.

The table below presents the total gains/losses relating to remeasurement of assets and liabilities carried at fair value on a recurring basis classified in level 3 that are still held at reporting date. With the exception of interest on funding instruments and available-for-sale financial assets, all gains or losses are recognised in non-interest revenue.

	2018		2017	
R million	**Gains/(losses) recognised in the income statement**	**Gains/(losses) recognised in other comprehensive income**	Gains/(losses) recognised in the income statement	Gains/(losses) recognised in other comprehensive income
Assets				
Derivative financial instruments	**11**	**–**	8	–
Advances*	**11 667**	**–**	11 697	–
Investment securities	**(25)**	**11**	23	50
Total	**11 653**	**11**	11 728	50
Liabilities				
Derivative financial instruments	**(299)**	**–**	(72)	–
Deposits	**11**	**–**	(26)	–
Other liabilities	**41**	**–**	97	–
Total	**(247)**	**–**	(1)	–

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

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

Fair value measurements (audited) continued

ADDITIONAL DISCLOSURES FOR LEVEL 3 FINANCIAL INSTRUMENTS continued

EFFECT OF CHANGES IN SIGNIFICANT UNOBSERVABLE ASSUMPTIONS OF LEVEL 3 INSTRUMENTS TO REASONABLY POSSIBLE ALTERNATIVES

The tables below illustrate the sensitivity of the significant inputs when changed to reasonable possible alternative inputs:

ASSET/LIABILITY	SIGNIFICANT UNOBSERVABLE INPUTS	UNOBSERVABLE INPUT TO WHICH REASONABLY POSSIBLE CHANGES ARE APPLIED	REASONABLY POSSIBLE CHANGES APPLIED
Derivative financial instruments	Volatilities	Volatilities	Increased and decreased by 10%.
Advances	Credit	Scenario analysis	A range of scenarios are run as part of the group's credit risk management process for advances measured at fair value through profit or loss to determine credit losses and change in credit spreads in various economic conditions. The probability of default is adjusted either upwards or downwards versus the base case.
Investment securities	Credit, growth rates and P/E ratios of unlisted investments	Credit, growth rates or P/E ratios of unlisted investments	Increased and decreased by 10%.
Deposits	Credit risk of the cash collateral leg of credit-linked notes	Credit migration matrix	The deposits included in level 3 of the hierarchy represent the collateral leg of credit-linked notes. The most significant unobservable input in determining the fair value of the credit-linked notes is the credit risk component. The sensitivity to credit risk has been assessed in the same way as for advances using the credit migration matrix with the deposit representing the cash collateral component thereof.
Other liabilities	Performance of underlying contracts	Profits on the underlying contracts	Increased and decreased by 1%.

	2018			2017		
		Reasonably possible alternative fair value			Reasonably possible alternative fair value	
R million	Fair value	Using more positive assumptions	Using more negative assumptions	Fair value	Using more positive assumptions	Using more negative assumptions
Assets						
Derivative financial instruments	**563**	**569**	**556**	8	11	4
Advances	**167 052**	**167 445**	**166 738**	195 376	195 979	195 041
Investment securities	**1 468**	**1 617**	**1 383**	1 989	2 179	1 833
Total financial assets measured at fair value in level 3	**169 083**	**169 631**	**168 677**	197 373	198 169	196 878
Liabilities						
Derivative financial instruments	**630**	**622**	**636**	233	227	246
Deposits	**344**	**310**	**379**	386	386	387
Other liabilities	**1 529**	**1 513**	**1 544**	1 519	1 504	1 534
Total financial liabilities measured at fair value in level 3	**2 503**	**2 445**	**2 559**	2 138	2 117	2 167

FINANCIAL INSTRUMENTS NOT MEASURED AT FAIR VALUE

The following represents the fair values of financial instruments not carried at fair value on the statement of financial position but for which fair value is required to be disclosed. For all other financial instruments, the carrying value is equal to or is a reasonable approximation of the fair value.

	2018				
R million	**Carrying value**	**Total fair value**	**Level 1**	**Level 2**	**Level 3**
Assets					
Advances	**649 796**	**656 550**	**–**	**104 283**	**552 267**
Investment securities	**31 226**	**31 166**	**28 370**	**2 796**	**–**
Total assets at amortised cost	**681 022**	**687 716**	**28 370**	**107 079**	**552 267**
Liabilities					
Deposits	**882 554**	**882 480**	**2 534**	**878 571**	**1 375**
Other liabilities	**773**	**773**	**–**	**773**	**–**
Tier 2 liabilities	**26 668**	**27 036**	**–**	**27 036**	**–**
Total liabilities at amortised cost	**909 995**	**910 289**	**2 534**	**906 380**	**1 375**

	2017				
R million	Carrying value	Total fair value	Level 1	Level 2	Level 3
Assets					
Advances	570 911	576 355	–	96 037	480 318
Investment securities	27 761	27 816	20 832	6 984	–
Total assets at amortised cost	598 672	604 171	20 832	103 021	480 318
Liabilities					
Deposits	799 505	801 710	41	800 788	881
Other liabilities	467	467	–	467	–
Tier 2 liabilities	18 370	18 635	–	18 635	–
Total liabilities at amortised cost	818 342	820 812	41	819 890	881

DAY 1 PROFIT OR LOSS

The following table represents the aggregate difference between transaction price and fair value based on a valuation technique yet to be recognised in profit or loss.

R million	**2018**	2017
Opening balance	**51**	38
Day 1 profits or losses not recognised on financial instruments initially recognised in the current year	**13**	17
Amount recognised in profit or loss as a result of changes which would be observable by market participants	**(10)**	(4)
Closing balance	**54**	51

Contingencies and commitments (audited)

as at 30 June

R million	2018	2017	% change
Contingencies and commitments			
Guarantees (endorsements and performance guarantees)	**34 711**	31 875	9
Letters of credit	**9 969**	6 358	57
Total contingencies	**44 680**	38 233	17
Irrevocable commitments	**111 642**	112 698	(1)
Committed capital expenditure	**2 592**	3 560	(27)
Operating lease commitments	**2 504**	2 853	(12)
Other	**3**	3	–
Contingencies and commitments	**161 421**	157 347	3
Legal proceedings			
There are a number of legal or potential claims against the bank, the outcome of which cannot at present be foreseen. These claims are not regarded as material either on an individual or a total basis. Provision is made for all liabilities that are expected to materialise.	**125**	108	16
Commitments			
Commitments in respect of capital expenditure and long-term investments approved by directors	**2 592**	3 560	(27)

Events after reporting period (audited)

DISCOVERY CARD

Subsequent to the year end, the group concluded a transaction with Discovery, through the issuance of preference shares, for the ultimate transfer and disposal of its remaining effective 25.01% interest in Discovery Card and Discovery Bank, respectively. The consideration of this transaction is R1.8 billion, which together with the preference share issuance of R1.3 billion in 2016, results in a total value unlock for FirstRand shareholders of approximately R3 billion. This transaction is expected to be concluded during the financial year ending 30 June 2019.

At 30 June 2018, FNB includes Discovery Card advances with a gross value of R4.3 billion which will also be transferred at carrying value.

Summary segment report – IFRS (audited)

for the year ended 30 June

	2018								
	FNB		RMB						
R million	FNB SA	FNB Africa*	Investment banking	Corporate banking	WesBank	FCC (including Group Treasury) and other	FirstRand group normalised	Normalised adjustments	Total
Profit before tax	**18 814**	**(501)**	**5 302**	**1 253**	**2 432**	**(794)**	**26 506**	**183**	**26 689**
Total assets	**373 700**	**590**	**357 509**	**49 467**	**168 240**	**254 371**	**1 203 877**	**–**	**1 203 877**
Total liabilities	**354 951**	**1 060**	**353 190**	**49 004**	**165 781**	**188 991**	**1 112 977**	**–**	**1 112 977**

	2017								
	FNB		RMB						
R million	FNB SA	FNB Africa*	Investment banking	Corporate banking	WesBank	FCC (including Group Treasury) and other	FirstRand group normalised	Normalised adjustments	Total
Profit before tax	16 296	(441)	4 493	1 215	3 214	(1 003)	23 774	295	24 069
Total assets	346 892	719	337 744	42 159	170 523	184 114	1 082 151	–	1 082 151
Total liabilities	330 727	1 158	333 737	40 586	167 327	121 243	994 778	–	994 778

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

05 supplementary information

Company information

DIRECTORS

WR Jardine (chairman), AP Pullinger (CEO), HS Kellan (financial director), M Vilakazi (COO with effect from 1 July 2018), JP Burger (non-executive director with effect from 1 September 2018), MS Bomela, HL Bosman, JJ Durand (alternate with effect from 3 September 2018), GG Gelink, NN Gwagwa, F Knoetze, RM Loubser, PJ Makosholo, TS Mashego, EG Matenge-Sebesho, AT Nzimande, T Winterboer

COMPANY SECRETARY AND REGISTERED OFFICE

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

JSE DEBT SPONSOR

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

AUDITORS

PricewaterhouseCoopers Inc.
4 Lisbon Lane
Waterfall City
Jukskei View
2090

Deloitte & Touche
Deloitte Place
The Woodlands
20 Woodlands Drive
Woodmead, Sandton
2052

Listed debt instruments

JSE

DOMESTIC MEDIUM TERM NOTE PROGRAMME

Bond code	ISIN code	Bond code	ISIN code	Bond code	ISIN code
Subordinated debt					
FRB05	ZAG000031337	FRB16	ZAG000127622	FRB21	ZAG000140856
FRB12	ZAG000116278	FRB17	ZAG000127630	FRB22	ZAG000141219
FRB13	ZAG000116286	FRB18	ZAG000135229	FRB23	ZAG000146754
FRB14	ZAG000116294	FRB19	ZAG000135310	FRBC21	ZAG000052283
FRB15	ZAG000124199	FRB20	ZAG000135385	FRBC22	ZAG000052390
Senior unsecured					
FRBZ01	ZAG000049255	FRJ23	ZAG000149436	FRX26	ZAG000112160
FRBZ02	ZAG000072711	FRJ25	ZAG000124256	FRX27	ZAG000142506
FRBZ03	ZAG000080029	FRJ27	ZAG000141912	FRX30	ZAG000124264
FRJ19	ZAG000104563	FRX19	ZAG000073685	FRX31	ZAG000084195
FRJ20	ZAG000109596	FRX20	ZAG000109604	FRX32	ZAG000142514
FRJ21	ZAG000115858	FRX23	ZAG000104969	FRX45	ZAG000076480
FRJ22	ZAG000142498	FRX24	ZAG000073693		
Inflation-linked bonds					
FRBI22	ZAG000079666	FRBI29	ZAG000145608	FRI33	ZAG000141706
FRBI23	ZAG000076498	FRBI33	ZAG000079245	FRI38	ZAG000141862
FRBI25	ZAG000109588	FRBI46	ZAG000135302		
FRBI28	ZAG000079237	FRBI50	ZAG000141649		
Structured notes					
FRS100	ZAG000111634	FRS126	ZAG000125188	FRS149	ZAG000136573
FRS101	ZAG000111774	FRS127	ZAG000125394	FRS150	ZAG000136615
FRS103	ZAG000111840	FRS129	ZAG000125865	FRS151	ZAG000136987
FRS104	ZAG000111857	FRS131	ZAG000126186	FRS152	ZAG000136995
FRS108	ZAG000113515	FRS132	ZAG000126194	FRS153	ZAG000137670
FRS109	ZAG000113564	FRS133	ZAG000126541	FRS157	ZAG000144197
FRS110	ZAG000113663	FRS134	ZAG000126574	FRS158	ZAG000145012
FRS112	ZAG000115395	FRS135	ZAG000126608	FRS159	ZAG000145020
FRS113	ZAG000115478	FRS136	ZAG000126780	FRS160	ZAG000145038
FRS114	ZAG000116070	FRS137	ZAG000127549	FRS161	ZAG000145046
FRS119	ZAG000118951	FRS138	ZAG000127556	FRS162	ZAG000145111
FRS120	ZAG000119298	FRS142	ZAG000130782	FRS163	ZAG000145129
FRS121	ZAG000120643	FRS143	ZAG000130790	FRS164	ZAG000145160
FRS122	ZAG000121062	FRS145	ZAG000134263	FRS165	ZAG000145178
FRS123	ZAG000121328	FRS146	ZAG000134636	FRS166	ZAG000145756
FRS124	ZAG000122953	FRS147	ZAG000135724	FRS167	ZAG000145764
FRS169	ZAG000145780	FRS36	ZAG000077397	FRS168	ZAG000145772
FRS170	ZAG000145954	FRS37	ZAG000077793	FRS81	ZAG000100892
FRS171	ZAG000147448	FRS43	ZAG000078643	FRS85	ZAG000104985
FRS172	ZAG000147455	FRS46	ZAG000079807	FRS87	ZAG000105420
FRS173	ZAG000148180	FRS49	ZAG000081787	FRS90	ZAG000106410
FRS174	ZAG000148198	FRS51	ZAG000086117	FRS94	ZAG000107871
FRS175	ZAG000149451	FRS62	ZAG000090614	FRS96	ZAG000108390
FRS176	ZAG000149444	FRS64	ZAG000092529		

Listed debt instruments continued

Bond code	ISIN code	Bond code	ISIN code	Bond code	ISIN code
Credit-linked notes					
FRC107	ZAG000094574	FRC221	ZAG000121229	FRC256	ZAG000145806
FRC169	ZAG000104852	FRC225	ZAG000121435	FRC257	ZAG000146564
FRC176	ZAG000107178	FRC233	ZAG000128752	FRC258	ZAG000146580
FRC177	ZAG000107632	FRC234	ZAG000130816	FRC259	ZAG000147414
FRC178	ZAG000107897	FRC236	ZAG000135211	FRC260	ZAG000147596
FRC179	ZAG000108168	FRC237	ZAG000135203	FRC261	ZAG000147653
FRC181	ZAG000108549	FRC238	ZAG000135237	FRC262	ZAG000147646
FRC183	ZAG000109356	FRC239	ZAG000135245	FRC263	ZAG000148230
FRC185	ZAG000111451	FRC240	ZAG000135252	FRC264	ZAG000149345
FRC188	ZAG000111873	FRC241	ZAG000135393	FRC265	ZAG000149485
FRC189	ZAG000112145	FRC242	ZAG000135401	FRC266	ZAG000149824
FRC192	ZAG000114521	FRC243	ZAG000135419	FRC267	ZAG000150004
FRC195	ZAG000114745	FRC244	ZAG000135427	FRC268	ZAG000150095
FRC206	ZAG000116088	FRC245	ZAG000135468	FRC269	ZAG000150806
FRC207	ZAG000117649	FRC246	ZAG000135476	FRC270	ZAG000151234
FRC208	ZAG000117656	FRC247	ZAG000135484	FRC271	ZAG000151556
FRC209	ZAG000118613	FRC248	ZAG000135450	FRC272	ZAG000151564
FRC210	ZAG000120296	FRC249	ZAG000135542	FRC273	ZAG000151945
FRC212	ZAG000121054	FRC250	ZAG000135559	FRC274	ZAG000151952
FRC213	ZAG000121047	FRC251	ZAG000141813	FRC66	ZAG000088485
FRC215	ZAG000121021	FRC252	ZAG000142225	FRC69	ZAG000088766
FRC219	ZAG000121138	FRC254	ZAG000144825	FRC71	ZAG000088923

LONDON STOCK EXCHANGE (LSE)

EUROPEAN MEDIUM TERM NOTE PROGRAMME

Bond code	
Senior unsecured	**Subordinated debt**
XS1178685084	XS1810806395
XS0610341967	
XS1225512026	

SWISS STOCK EXCHANGE (SIX)

Bond code
Senior unsecured
CH0238315680

Definitions

Additional Tier 1 capital (AT1)	Non-cumulative non-redeemable (NCNR) preference share capital plus qualifying capital instruments issued out of fully consolidated subsidiaries to third parties less specified regulatory deductions.
Capital adequacy ratio (CAR)	Total qualifying capital and reserves divided by RWA.
Common Equity Tier 1 (CET1) capital	Share capital and premium plus accumulated comprehensive income and reserves plus qualifying capital instruments issued out of fully consolidated subsidiaries to third parties less specified regulatory deductions.
Cost-to-income ratio	Operating expenses excluding indirect taxes expressed as a percentage of total income including share of profits from associates and joint ventures.
Credit loss ratio	Total impairment charge per the income statement expressed as a percentage of average advances (average between the opening and closing balance for the year).
Diversity ratio	Non-interest revenue expressed as a percentage of total income including share of profits from associates and joint ventures.
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.
Impairment charge	Amortised cost impairment charge and credit fair value adjustments.
Loan-to-deposit ratio	Average advances expressed as a percentage of average deposits.
Loss given default (LGD)	Economic loss that will be suffered on an exposure following default of the counterparty, expressed as a percentage of the amount outstanding at the time of default.
Net income after capital charge (NIACC)	Normalised earnings less the cost of equity multiplied by the average ordinary shareholders' equity and reserves.
Normalised earnings	The group believes normalised earnings more accurately reflect its economic performance. Headline earnings are adjusted to take into account non-operational and accounting anomalies.
Normalised 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.
Return on assets (ROA)	Normalised earnings divided by average assets.
Return on equity (ROE)	Normalised earnings divided by average normalised ordinary shareholders equity.
Risk weighted assets (RWA)	Prescribed risk weightings relative to the credit risk of counterparties, operational risk, market risk, equity investment risk and other risk multiplied by on- and off-balance sheet assets.
Shares in issue	Number of ordinary shares listed on the JSE.
Tier 1 ratio	Tier 1 capital divided by RWA.
Tier 1 capital	CET1 capital plus AT1 capital.
Tier 2 capital	Qualifying subordinated debt instruments plus qualifying capital instruments issued out of fully consolidated subsidiaries to third parties plus general provisions for entities on the standardised approach less specified regulatory deductions.
Total qualifying capital and reserves	Tier 1 capital plus Tier 2 capital.
Weighted average number of ordinary shares	Weighted average number of ordinary shares in issue during the year as listed on the JSE.

Abbreviations

ASF	Available stable funding.
AT1	Additional Tier 1 capital.
AUA	Assets under administration.
AUE	Assets under execution.
AUM	Assets under management.
BCBS	Basel Committee for Banking Supervision.
BEE	Black economic empowerment.
BIS	Bank of International Settlements.
BSE	Botswana Stock Exchange.
C&TB	Corporate and transactional banking.
CAGR	Compound annual growth rate.
Capex	Capital expenditure.
CAR	Capital adequacy ratio.
CB	RMB corporate banking.
CCyB	Capital conservative counter cyclical.
CET1	Common Equity Tier 1 capital.
CIB	RMB corporate and investment banking.
CIS	Collective investment scheme.
CLF	Committed liquidity facility.
DIS	Deposit insurance scheme.
D-SIB	Domestic systemically important banks.
DWT	Dividend withholding tax.
EMTN	European medium term note programme.
EPS	Earnings per share.
FML	Full maintenance leasing.
FNB	First National Bank.
FREMA	FirstRand EMA Holdings (Pty) Ltd.
FRIHL	FirstRand Investment Holdings (Pty) Ltd.
FSB	Financial Services Board.
FSR	FirstRand Limited.
GBP	British Pound.
HQLA	High quality liquid assets.
IB	RMB investment banking.
IB&A	Investment banking and advisory.
IM	Investment management.
INV	Investing.
ISP	Interest in suspense.
JSE	Johannesburg Stock Exchange.

LCR	Liquidity coverage ratio.
LGD	Loss given default.
LISP	Linked investment service provider.
LSE	London Stock Exchange.
M&S	Markets and structuring.
MCA	Market Conduct Authority.
MTM	Mark-to-market.
NCAA	National Credit Amendment Act.
NCNR	Non-cumulative non-redeemable.
NIACC	Net income after capital charge.
NII	Net interest income.
NIR	Non-interest revenue.
NPLs	Non-performing loans.
NSFR	Net stable funding ratio.
NSX	Namibian Stock Exchange.
PA	Prudential Authority.
P/E	Price earnings.
RA	Resolution Authority.
RMB	Rand Merchant Bank.
ROA	Return on assets.
ROE	Return on equity.
RPS	Required stable funding.
RWA	Risk weighted assets.
S&P	S&P Global Ratings.
SAICA	South African Institute of Chartered Accountants.
SARB	South African Reserve Bank.
SIX	Swiss Stock Exchange.
SRB	Special Resolution Bill.
TLAC	Total loss absorbing capacity.
TRS	Total return swap.
UK	United Kingdom.
VAF	Vehicle asset finance.
VAPS	Value added products and services.
WIM	Wealth and investment management.

www.firstrand.co.za

FirstRand Bank