FirstRand

’18 analysis of financial results

for the six months ended 31 December

about this report

This report covers the unaudited condensed consolidated financial results of FirstRand Limited (FirstRand or the group) based on International Financial Reporting Standards (IFRS) for the six months ended 31 December 2018. Some of the information relating to the statement of financial position at 1 July 2018 was restated following the adoption of IFRS 9 and IFRS 15. The restated information is included in this report on pages 164 to 177.

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

Normalised results include a condensed consolidated income statement, statement of comprehensive income, statement of financial position and a statement of changes in equity. A detailed description of the difference between normalised and IFRS results is provided on pages 145 and 146. Detailed reconciliations of normalised to IFRS results are provided on pages 154 to 163. Commentary is based on normalised results, unless indicated otherwise.

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

FirstRand

1966/010753/06
Certain entities within the FirstRand group are Authorised Financial Services and Credit Providers.
This analysis is available on the group's website:
www.firstrand.co.za

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

contents

Overview of **results** 01

*p*03 Simplified group and shareholding structure
*p*05 Track record
*p*06 Key financial results, ratios and statistics – normalised
*p*08 Condensed consolidated financial statements – normalised
*p*14 Overview of results
*p*30 Segment report
*p*42 Additional activity and business unit disclosure – RMB
*p*43 Additional segmental disclosure – WesBank
*p*44 Additional segmental disclosure – Aldermore
*p*45 Additional segmental disclosure – MotoNovo
*p*46 Additional information on the internal restructure
*p*54 Additional segmental disclosure – insurance activities

Income **statement analysis** 02

*p*58 Net interest income (before impairment of advances)
*p*65 Credit highlights
*p*76 Non-interest revenue
*p*84 Operating expenses

Balance sheet **analysis and financial resource management** 03

*p*90 Economic view of the balance sheet
*p*91 Gross advances
*p*94 Credit
*p*122 Deposits
*p*123 Funding and liquidity
*p*131 Capital
*p*136 Standardised disclosures
*p*137 Regulatory update
*p*138 Performance measurement
*p*141 Credit ratings

IFRS **information**

04

*p*144 Presentation
*p*147 Condensed consolidated financial statements – IFRS
*p*153 Statement of headline earnings – IFRS
*p*153 Reconciliation from headline to normalised earnings
*p*154 Reconciliation of normalised to IFRS condensed consolidated income statement and statement of financial position
*p*164 Impact of adopting revised accounting standards
*p*168 Transition impact on IFRS consolidated financial position
*p*170 Reconciliation of IFRS consolidated statement of changes in equity
*p*172 Summary accounting policies
*p*178 Fair value measurements
*p*196 Contingencies and commitments
*p*196 Events after reporting period

Supplementary **information**

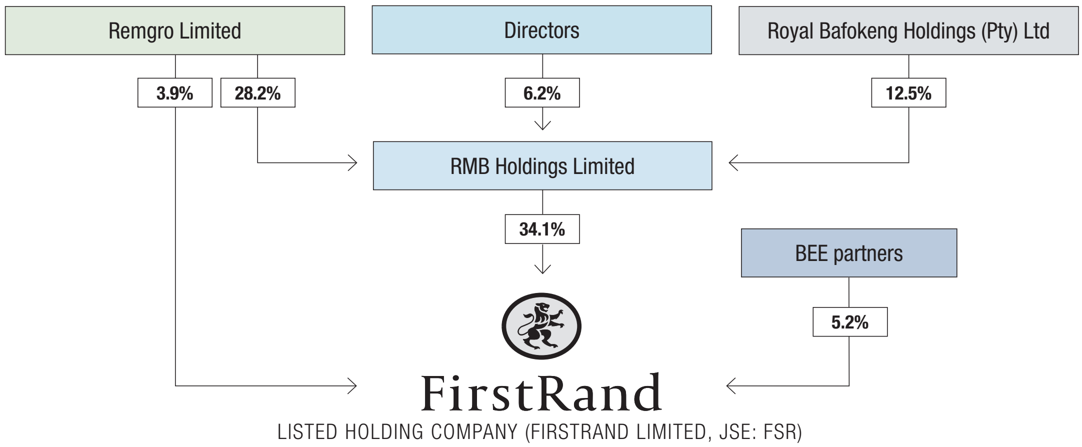
05

*p*198 Headline earnings additional disclosure
*p*199 Number of ordinary shares in issue
*p*200 Key market indicators and share statistics
*p*201 Company information
*p*202 Listed financial instruments of the group
*p*206 Definitions
*p*207 Abbreviations

01 overview of results

03 – 55

Simplified group and shareholding structure



100%	100%	100%	100%	100%	100%
FirstRand Bank Limited (FRB)	FirstRand EMA Holdings (Pty) Ltd (FREMA)	FirstRand International Limited (Guernsey) (FRI)	FirstRand Insurance Holdings (Pty) Ltd	FirstRand Investment Management Holdings Limited	FirstRand Investment Holdings (Pty) Ltd (FRIHL)
SA banking	Rest of Africa	UK banking and hard currency platform	Insurance	Investment management	Other activities
First National Bank[1]	**58%** FirstRand Namibia	**100%** Aldermore Group plc	**100%** FirstRand Life Assurance	**100%** Ashburton Fund Managers	**99%** RMB Private Equity Holdings
Rand Merchant Bank[1]	**69%** FNB Botswana	**100%** RMB International Mauritius	**100%** FirstRand Short-Term Insurance Ltd	**100%** FNB Investor Services	**100%** RMB Private Equity
WesBank[1]	**100%** FNB Swaziland		**100%** FirstRand Insurance Services Company (FRISCOL)	**100%** Ashburton Management Company (RF)	**100%** RMB Securities
FirstRand Bank India[2]	**90%** FNB Mozambique			**100%** Ashburton Investments International Holdings	**50%** RMB Morgan Stanley
FirstRand Bank London[2,*]	**100%** FNB Zambia			**100%** FNB CIS Management Company (RF)	**100%** FNB Securities
FirstRand Bank Guernsey[2,**]	**100%** FNB Lesotho			**100%** Various general partners[#]	**100%** DirectAxis
FirstRand Bank Kenya[3]	**100%** FNB Tanzania				**81%** MotoVantage
FirstRand Bank Angola[3]	**100%** First National Bank Ghana				**100%** FirstRand Securities
FirstRand Bank Shanghai[3]	**100%** RMB Nigeria				

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, 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 FRB.

FirstRand

FirstRand's portfolio of integrated financial services businesses comprises FNB, RMB, WesBank, Aldermore and Ashburton Investments. The group operates in South Africa, certain markets in sub-Saharan Africa and the UK, and offers a universal set of transactional, lending, investment and insurance products and services.

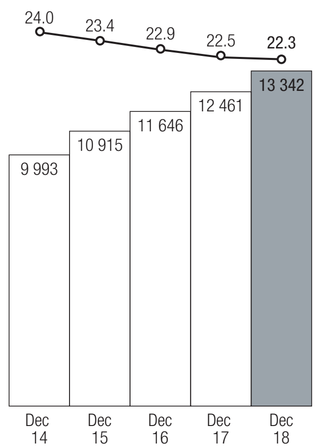
NORMALISED EARNINGS	DIVIDEND PER SHARE	NORMALISED RETURN ON EQUITY
▲ 7%	▲ 7%	22.3%
Dec 17: 7%	Dec 17: 9%	Dec 17: 22.5%

NORMALISED NET ASSET VALUE PER SHARE	NORMALISED EARNINGS PER SHARE	CET1 RATIO
▲ 9%	▲ 7%	12.0%
Dec 17: 9%	Dec 17: 7%	Dec 17: 14.0%

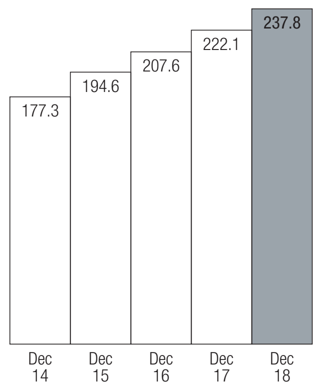
FNB RMB WesBank Aldermore ASHBURTON INVESTMENTS

Track record

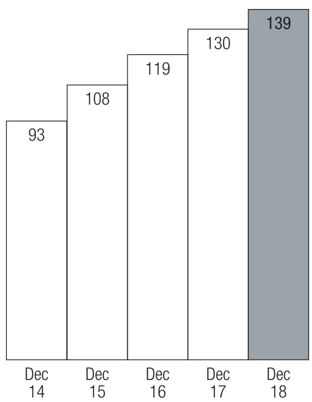
NORMALISED EARNINGS *(R million)* AND ROE *(%)*
CAGR 7%



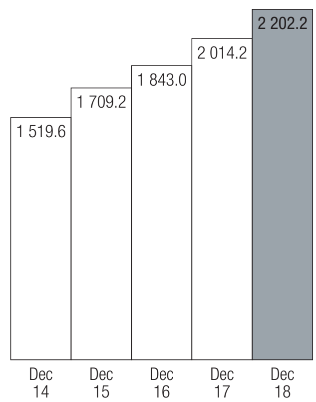
DILUTED NORMALISED EARNINGS PER SHARE *(cents)*
CAGR 8%



DIVIDEND PER SHARE *(cents)*
CAGR 11%



NORMALISED NET ASSET VALUE PER SHARE *(cents)*
CAGR 10%



Note: 31 December 2014 to 2017 figures are prepared on an IAS 39 basis. 31 December 2018 figures are prepared on an IFRS 9 basis.

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 154 to 163. IFRS 9 and IFRS 15 were adopted effective 1 July 2018 and the statement of financial position at 1 July 2018 was restated. Other comparatives were not restated, as allowed by IFRS 9 and IFRS 15. The income statement and statement of comprehensive income for the six months to December 2017 and the year ended 30 June 2018, and earnings-related ratios were not restated. The column headings indicate the basis of presentation. Refer to pages 164 to 177 for more information on the restatement.

	Group (including Aldermore)				
	Six months ended 31 December			Year ended 30 June	As at 1 July
R million	**2018 IFRS 9**	2017 IAS 39	% change	2018 IAS 39	**2018 IFRS 9**
Earnings performance					
Normalised earnings per share (cents)					
– Basic	**237.8**	222.1	7	470.8	
– Diluted	**237.8**	222.1	7	470.8	
Earnings per share (cents) – IFRS					
– Basic	**280.5**	227.3	23	473.3	
– Diluted	**280.5**	227.3	23	473.3	
Headline earnings per share (cents)					
– Basic	**237.9**	224.2	6	472.7	
– Diluted	**237.9**	224.2	6	472.7	
Attributable earnings – IFRS (refer page 147)	**15 732**	12 749	23	26 546	
Headline earnings	**13 344**	12 573	6	26 509	
Normalised earnings	**13 342**	12 461	7	26 411	
Normalised net asset value	**123 530**	112 985	9	121 046	**115 561***
Normalised net asset value per share (cents)	**2 202.2**	2 014.2	9	2 157.9	**2 060.1**
Average normalised net asset value	**119 546**	110 954	8	114 984	
Market capitalisation	**367 758**	377 238	(3)	358 390	**358 390**
Ordinary dividend per share (cents)	**139.0**	130.0	7	275.0	
Dividend cover (times)	**1.71**	1.71		1.71	
NCNR B preference dividend – paid (cents per share)**	**378.3**	393.6	(4)	779.8	**779.8**
Ratios and key statistics					
ROE (%)	**22.3**	22.5		23.0	
ROA (%)	**1.71**	1.99		1.92	
Price earnings ratio (times)	**13.8**	15.1		13.6	
Price-to-book ratio (times)	**3.0**	3.3		3.0	**3.1**
Diversity ratio (%)	**42.3**	44.9		45.0	
Credit impairment charge	**5 021**	4 052	24	8 567	
Stage 3/NPLs as a % of advances	**3.20**	2.33		2.36	**2.93**
Credit loss ratio (%)	**0.86**	0.87		0.84	
Total impairment coverage ratio (%)	**84.4**	78.6		71.5	**86.8**
Specific coverage ratio (%)	**46.3**	37.6		37.1	**42.8**
Performing book coverage ratio (%)	**1.26**	0.98		0.83	**1.33**
Cost-to-income ratio (%)	**52.4**	51.7		51.2	
Effective tax rate (%)	**24.3**	22.9		21.9	
Share price (closing – rand)	**65.56**	67.25	(3)	63.89	**63.89**
Number of employees	**47 334**	45 026	5	46 284	**46 284**

* *The adoption of IFRS 9 and IFRS 15 resulted in a reduction of R5 485 million in normalised net asset value on 1 July 2018.*

** *75.56% of FNB prime lending rate.*

	Group (including Aldermore)				
	Six months ended 31 December			Year ended 30 June	As at 1 July
R million	**2018 IFRS 9**	2017 IAS 39	% change	2018 IAS 39	**2018 IFRS 9**
Balance sheet					
Normalised total assets	**1 589 462**	1 291 724	23	1 532 310	**1 527 592**
Advances (net of credit impairment)	**1 172 554**	927 732	26	1 121 227	**1 113 398**
Average gross loan-to-deposit ratio (%)	**90.1**	91.7		91.1	
Capital adequacy – IFRS*					
Capital adequacy ratio (%)	**14.8**	16.9		14.7	**14.7**
Tier 1 ratio (%)	**12.6**	14.6		12.1	**11.9**
Common Equity Tier 1 (%)	**12.0**	14.0		11.5	**11.4**
Leverage – IFRS					
Leverage ratio (%)	**7.4**	8.5		7.1	**7.1**
Liquidity – IFRS					
Liquidity coverage ratio (%)	**122**	107		115	**115**
Net stable funding ratio (%)	**112**	–		112	**112**

* *Ratios include unappropriated profits, and the transitional Day 1 impact of IFRS 9.*

KEY BALANCE SHEET RESULTS, RATIOS AND STATISTICS EXCLUDING ALDERMORE

The effective date of the Aldermore acquisition was 1 April 2018. Any reference to financial information "excluding Aldermore" represents the subtraction of the Aldermore-specific information (refer page 44 and 45) from the group's income statement and statement of financial position (refer pages 8 and 10). No other adjustments relating to the Aldermore acquisition, e.g. costs associated with the amortisation of intangible asset identified on acquisition, have been made.

	Group (excluding Aldermore)				
	Six months ended 31 December			Year ended 30 June	As at 1 July
R million	**2018 IFRS 9**	2017 IAS 39	% change	2018 IAS 39	**2018 IFRS 9**
Balance sheet					
Advances (net of credit impairment)	**1 000 505**	927 732	8	957 810	**950 159**
Deposits	**1 154 181**	1 040 042	11	1 094 270	**1 095 066**
Ratios and key statistics					
Stage 3/NPLs as a % of advances	**3.57**	2.33		2.70	**3.25**
Credit loss ratio (%)	**0.96**	0.87		0.90	
Total impairment coverage ratio (%)	**86.3**	78.6		71.4	**89.5**
Specific coverage ratio (%)	**47.7**	37.6		37.4	**44.4**
Performing book coverage ratio (%)	**1.43**	0.98		0.94	**1.51**

Condensed consolidated income statement – normalised

R million	Six months ended 31 December 2018 IFRS 9	Six months ended 31 December 2017 IAS 39	% change	Year ended 30 June 2018 IAS 39
Net interest income before impairment of advances	**29 406**	24 565	20	51 254
Impairment charge	**(5 021)**	(4 052)	24	(8 567)
Net interest income after impairment of advances	**24 385**	20 513	19	42 687
Total non-interest revenue	**21 561**	20 002	8	41 926
– Operational non-interest revenue	**21 080**	19 514	8	41 012
– Fee and commission income	**15 632**	13 956	12	28 250
– Insurance income	**2 072**	1 942	7	4 197
– Markets, client and other fair value income	**1 837**	2 066	(11)	4 165
– Investment income	**307**	344	(11)	1 959
– Other non-interest revenue	**1 232**	1 206	2	2 441
– Share of profit of associates and joint ventures after tax	**481**	488	(1)	914
Income from operations	**45 946**	40 515	13	84 613
Operating expenses	**(26 729)**	(23 033)	16	(47 664)
Income before tax	**19 217**	17 482	10	36 949
Indirect tax	**(795)**	(478)	66	(1 077)
Profit before tax	**18 422**	17 004	8	35 872
Income tax expense	**(4 475)**	(3 894)	15	(7 865)
Profit for the period	**13 947**	13 110	6	28 007
NCNR preference shareholders and contingent convertible securities	**(168)**	(177)	(5)	(466)
Non-controlling interests	**(437)**	(472)	(7)	(1 130)
Normalised earnings attributable to ordinary equityholders of the group	**13 342**	12 461	7	26 411

Condensed consolidated statement of other comprehensive income – normalised

R million	Six months ended 31 December 2018 IFRS 9	Six months ended 31 December 2017 IAS 39	% change	Year ended 30 June 2018 IAS 39
Profit for the period	**13 947**	13 110	6	28 007
Items that may subsequently be reclassified to profit or loss				
Cash flow hedges	**77**	(99)	(>100)	185
Gains arising during the period	**500**	139	>100	283
Reclassification adjustments for amounts included in profit or loss	**(393)**	(7)	>100	(26)
Deferred income tax	**(30)**	(231)	(87)	(72)
FVOCI reserve/available-for-sale financial assets	**(13)**	(86)	(85)	(650)
Losses arising during the period	**(21)**	(85)	(75)	(1 009)
Reclassification adjustments for amounts included in profit or loss	**(1)**	(22)	(95)	91
Deferred income tax	**9**	21	(57)	268
Exchange differences on translating foreign operations	**353**	(856)	(>100)	1 175
Gains/(losses) arising during the period	**353**	(856)	(>100)	1 175
Share of other comprehensive income/(loss) of associates and joint ventures after tax and non-controlling interests	**29**	54	(46)	(72)
Items that may not subsequently be reclassified to profit or loss				
Remeasurements on defined benefit post-employment plans	**19**	13	46	147
Gains arising during the period	**25**	18	39	194
Deferred income tax	**(6)**	(5)	20	(47)
Other comprehensive income/(loss) for the period	**465**	(974)	(>100)	785
Total comprehensive income for the period	**14 412**	12 136	19	28 792
Attributable to				
Ordinary equityholders	**13 801**	11 497	20	27 191
NCNR preference shareholders and contingent convertible securities	**168**	177	(5)	466
Equityholders of the group	**13 969**	11 674	20	27 657
Non-controlling interests	**443**	462	(4)	1 135
Total comprehensive income for the period	**14 412**	12 136	19	28 792

Condensed consolidated statement of financial position – normalised

R million	As at 31 December 2018 IFRS 9	As at 31 December 2017 IAS 39	As at 30 June 2018 IAS 39	As at 1 July 2018 IFRS 9*
ASSETS				
Cash and cash equivalents	**87 450**	65 805	96 024	**96 024**
Derivative financial instruments	**35 725**	53 586	42 499	**42 499**
Commodities	**17 815**	15 489	13 424	**13 424**
Investment securities	**224 147**	188 928	209 004	**211 741**
Advances	**1 172 544**	927 732	1 121 227	**1 113 398**
– Advances to customers	**1 111 824**	874 476	1 065 997	**1 058 168**
– Marketable advances	**60 720**	53 256	55 230	**55 230**
Accounts receivable	**10 346**	9 443	9 884	**8 847**
Current tax asset	**1 096**	356	378	**850**
Non-current assets and disposal groups held for sale	**–**	498	112	**112**
Reinsurance assets	**130**	133	84	**84**
Investments in associates	**5 626**	5 726	5 537	**5 343**
Investments in joint ventures	**1 766**	1 890	1 680	**1 680**
Property and equipment	**17 815**	17 859	17 936	**17 936**
Intangible assets	**10 744**	1 663	10 847	**10 847**
Investment properties	**814**	675	754	**754**
Defined benefit post-employment asset	**36**	5	36	**36**
Deferred income tax asset	**3 408**	1 936	2 884	**4 017**
Total assets	**1 589 462**	1 291 724	1 532 310	**1 527 592**
EQUITY AND LIABILITIES				
Liabilities				
Short trading positions	**6 056**	15 266	9 999	**9 999**
Derivative financial instruments	**41 949**	58 102	50 954	**50 954**
Creditors, accruals and provisions	**19 832**	16 449	19 620	**19 700**
Current tax liability	**773**	415	438	**438**
Deposits	**1 338 621**	1 040 042	1 267 448	**1 268 244**
Employee liabilities	**9 034**	8 270	11 534	**11 534**
Other liabilities	**5 758**	6 511	6 989	**6 989**
Policyholder liabilities	**4 764**	4 315	4 593	**4 593**
Additional Tier 1 and Tier 2 liabilities	**28 053**	20 048	28 439	**28 439**
Deferred income tax liability	**1 318**	958	1 477	**1 466**
Total liabilities	**1 456 158**	1 170 376	1 401 491	**1 402 356**
Equity				
Ordinary shares	**56**	56	56	**56**
Share premium	**8 056**	8 056	8 056	**8 056**
Reserves	**115 418**	104 873	112 934	**107 449**
Capital and reserves attributable to ordinary equityholders	**123 530**	112 985	121 046	**115 561**
Contingent convertible securities	**1 250**	–	1 250	**1 250**
NCNR preference shares	**4 519**	4 519	4 519	**4 519**
Capital and reserves attributable to equityholders of the group	**129 299**	117 504	126 815	**121 330**
Non-controlling interests	**4 005**	3 844	4 004	**3 906**
Total equity	**133 304**	121 348	130 819	**125 236**
Total equity and liabilities	**1 589 462**	1 291 724	1 532 310	**1 527 592**

* *Restated, refer to page 164 to 177 for details.*

Flow of funds analysis – normalised

R million	December 2018 IFRS 9 vs 1 July 2018 IFRS 9 6-month movement	December 2017 IAS 39 vs June 2017 IAS 39 6-month movement	June 2018 IAS 39 vs June 2017 IAS 39 12-month movement
Sources of funds			
Capital account movement (including profit and reserves)	**8 068**	4 126	13 597
Working capital movement	**(4 265)**	(1 890)	4 818
Short trading positions and derivative financial instruments	**(6 174)**	(4 438)	(5 766)
Deposits and long-term liabilities	**69 991**	57 628	293 425
Total	**67 620**	55 426	306 074
Application of funds			
Advances	**(59 146)**	(34 626)	(228 121)
Investments	**(4 642)**	(2 066)	(8 924)
Cash and cash equivalents	**8 574**	2 678	(27 541)
Investment securities (e.g. liquid asset portfolio)	**(12 406)**	(21 412)	(41 488)
Total	**(67 620)**	(55 426)	(306 074)

Condensed consolidated statement of changes in equity – normalised

for the six months ended 31 December

	Ordinary share capital and ordinary equityholders' funds					
R million	Share capital	Share premium	**Share capital and share premium**	Defined benefit post-employment reserve	Cash flow hedge reserve	
Balance as at 1 July 2017	56	8 056	**8 112**	(221)	158	
Net proceeds of issue of share capital and premium	–	–	**–**	–	–	
Disposal of subsidiaries	–	–	**–**	–	–	
Movement in other reserves	–	–	**–**	–	–	
Ordinary dividends	–	–	**–**	–	–	
Preference dividends	–	–	**–**	–	–	
Transfer from/(to) general risk reserves	–	–	**–**	–	–	
Changes in ownership interest of subsidiaries	–	–	**–**	–	–	
Total comprehensive income for the period	–	–	**–**	13	(99)	
Balance as at 31 December 2017	56	8 056	**8 112**	(208)	59	
Balance as at 1 July 2018	56	8 056	**8 112**	(74)	343	
Restatements for IFRS 9 and IFRS 15	–	–	**–**	–	–	
Balance as at 1 July 2018 restated	56	8 056	**8 112**	(74)	343	
Net proceeds of issue of share capital and premium	–	–	**–**	–	–	
Movement in other reserves	–	–	**–**	–	–	
Ordinary dividends	–	–	**–**	–	–	
Preference dividends	–	–	**–**	–	–	
Transfer from/(to) general risk reserves	–	–	**–**	–	–	
Changes in ownership interest of subsidiaries	–	–	**–**	–	–	
Total comprehensive income for the period	–	–	**–**	19	77	
Balance as at 31 December 2018	56	8 056	**8 112**	(55)	420	

* *Other reserves include the FVOCI reserve.*

** *The current amount for NCNR preference shares is R4 519 million and R1 250 million for the contingent convertible securities.*

Headline and normalised earnings adjustments are reflected in the movement in other reserves.

	Ordinary share capital and ordinary equityholders' funds								
	Share-based payment reserve	Available-for-sale reserve	Foreign currency translation reserve	Other reserves*	Retained earnings	**Reserves attributable to ordinary equityholders**	**NCNR preference shares and contingent convertible securities****	**Non-controlling interests**	**Total equity**
	9	(715)	1 690	462	99 427	**100 810**	**4 519**	**3 781**	**117 222**
	–	–	–	–	–	**–**	**–**	**23**	**23**
	–	–	–	–	–	**–**	**–**	**(27)**	**(27)**
	–	–	–	238	60#	**298**	**–**	**(81)#**	**217**
	–	–	–	–	(7 629)	**(7 629)**	**–**	**(289)**	**(7 918)**
	–	–	–	–	–	**–**	**(177)**	**–**	**(177)**
	–	–	–	(8)	8	**–**	**–**	**–**	**–**
	–	–	–	–	(103)	**(103)**	**–**	**(25)**	**(128)**
	–	(86)	(841)	49	12 461	**11 497**	**177**	**462**	**12 136**
	9	(801)	849	741	104 224	**104 873**	**4 519**	**3 844**	**121 348**
	4	(1 361)	2 832	599	110 591	**112 934**	**5 769**	**4 004**	**130 819**
	–	1 361	–	87	(6 933)	**(5 485)**	**–**	**(98)**	**(5 583)**
	4	–	2 832	686	103 658	**107 449**	**5 769**	**3 906**	**125 236**
	–	–	–	–	–	**–**	**–**	**(15)**	**(15)**
	1	–	–	(42)	2 357#	**2 316**	**–**	**17#**	**2 333**
	–	–	–	–	(8 134)	**(8 134)**	**–**	**(346)**	**(8 480)**
	–	–	–	–	–	**–**	**(168)**	**–**	**(168)**
	–	–	–	(125)	125	**–**	**–**	**–**	**–**
	–	–	–	–	(14)	**(14)**	**–**	**–**	**(14)**
	–	–	346	17	13 342	**13 801**	**168**	**443**	**14 412**
	5	–	3 178	536	111 334	**115 418**	**5 769**	**4 005**	**133 304**

"FirstRand produced quality topline growth and a superior ROE despite a very challenging operating environment.

FNB's results were impressive – earnings increased 13% on the back of strong growth in customers, transactional volumes, advances and deposits.

RMB's portfolio delivered high-quality earnings from both its domestic and rest of Africa activities.

WesBank remained resilient despite competitive pressures and low vehicle sales.

As expected, Aldermore continued to enhance group earnings and ROE.

These results demonstrate the effectiveness of FirstRand's strategy and consistent focus on delivering sustainable returns for shareholders."

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 in 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.

The macroeconomic environments in most of the jurisdictions in which the group operates remained challenging in the period to December 2018. Globally it was a mixed picture with growth slowing in the euro zone, Japan, China and a few emerging economies. Although economic activity in the US remained relatively robust, US financial markets came under pressure and global financial conditions tightened. The US Federal Reserve has subsequently been more measured in statements relating to rate increases.

Although global growth remained fairly supportive of commodity prices, tightening financial conditions and increased geopolitical uncertainty resulted in increased risk aversion and reduced capital flows to emerging economies. The South African Reserve Bank (SARB) increased interest rates, which attracted capital inflows or, at least, reduced the pace of outflows, as domestic policy uncertainty and political instability continued to weigh on GDP growth, and investor and consumer sentiment.

South African economic activity slowed in the second half of 2018, with rising CPI inflation, moderating wage inflation and elevated personal income taxes constraining real income (and, by implication, consumer spending) growth. Further pressure was added by rising inflation and slightly higher debt servicing costs after the SARB increased the repo rate to 6.75% in November 2018.

Low business confidence continues to impact the corporate investment cycle, whilst the government's growing debt burden means the fiscus remains unable to increase spending in order to boost investment activity.

Similar themes played out in the rest of the sub-Saharan region. Regional economic activity was extremely subdued due to South African macroeconomic weakness, although the outlook for Botswana was assisted by high diamond prices and the implementation of further structural reforms. The Nigerian economy continues to recover from its recession and the macroeconomic outlook is improving on the strength of supportive oil prices.

In the UK, the macros continued to be impacted by the uncertain political outcomes relating to its exit from the European Union (which is likely to formally take effect at the end of March 2019). Notwithstanding this uncertainty, consumer demand and house prices held up reasonably well and the Bank of England is expected to join the US Federal Reserve and other developed markets in gradually tightening monetary policy.

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. Its approach is to build an integrated financial services value proposition, underpinned by leading digital and data platforms and capabilities.

Group earnings are significantly tilted towards South Africa and are mainly generated by FirstRand's large lending and transactional franchises, which have resulted in deep and loyal customer bases. Many of the expected competitive and regulatory pressures will, however, target these traditional banking operations, particularly the transactional activities, and the group remains focused on protecting that large and profitable revenue stream.

At the same time, FirstRand is working hard to find other sources of capital-light revenues and its strategy to deliver integrated financial services to the group's 8.2 million customers in South Africa is gaining traction. This approach, which is underpinned by the disciplined allocation of financial resources and enabled by disruptive digital and data platforms, allows FirstRand to better optimise the franchise value of its broader portfolio.

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

In the UK, FirstRand recently acquired Aldermore Group plc (Aldermore), a UK specialist lender. It is still in the process of integrating MotoNovo, a leading second-hand vehicle finance business the group has operated in the UK for the past nine years, into Aldermore. Once the integration is complete, additional value for shareholders will be extracted over the medium to longer term through introducing FirstRand's successful financial resource management methodology and unlocking synergies between MotoNovo and Aldermore.

OVERVIEW OF RESULTS

Despite the challenging macroeconomic backdrop, FirstRand's portfolio of businesses produced quality topline growth. The group continued to strengthen its balance sheet and protect its return profile. Normalised earnings for the six months ended 31 December 2018 increased 7% with a normalised ROE of 22.3%.

Certain strategic actions taken to expedite the execution of group strategy in the last six to 12 months have resulted in some changes to the composition of earnings at an operating business level. Although these do not impact like-for-like comparisons at a group level, they are material when assessing the breakdown of sources of normalised earnings from the portfolio and include the following:

- DirectAxis, previously reported as part of WesBank's earnings, has been moved into a personal loans cluster within FNB, alongside the FNB loans business. This will allow faster execution of collaboration between FNB and DirectAxis across products and channels, including core transactional accounts where penetration is currently low.
- MotoNovo, the UK-based vehicle finance business, was also previously reported under WesBank's results, however, until the integration with Aldermore is completed, the total operational performance of MotoNovo will reside in the London branch. This performance is therefore currently reflected, for the first time, in the results of FCC/Group Treasury (GTSY) and is completely excluded from WesBank's performance.
- Following the finalisation of the transaction with Discovery, the Discovery card business has been moved out of FNB into GTSY.

A further component of the performance of GTSY was the approximately R730 million of interest not earned on the capital deployed to purchase Aldermore. In the prior year, this capital provided a return to GTSY which was not repeated in the current reporting period.

In addition, FCC's performance was negatively affected by the central credit overlay releases in the prior period of >R110 million, the first-time inclusion of the amortisation of intangible assets associated with the acquisition of Aldermore of R218 million, and an increase in operational expenses.

The table below reflects these structural changes in the breakdown of sources of normalised earnings.

SOURCES OF NORMALISED EARNINGS

	Six months ended 31 December					Year ended 30 June	
R million	2018 IFRS 9	% composition	2017 IAS 39	% composition	% change	2018 IAS 39	% composition
FNB	**8 665**	**65**	7 668	61	13	15 865	60
– FNB SA*	**8 354**		7 506			15 592	
– FNB Africa*	**311**		162			273	
RMB*	**3 321**	**25**	3 154	25	5	7 353	28
WesBank*	**957**	**7**	952	8	1	1 854	7
Aldermore	**1 037**	**8**	–	–	–	276	1
FCC	**(468)**	**(4)**	864	7	(>100)	1 414	5
– MotoNovo	**271**		432			734	
– FCC (includes Group Treasury) and other*,**,#	**(739)**		432			680	
NCNR preference dividend	**(170)**	**(1)**	(177)	(1)	(4)	(351)	(1)
Normalised earnings	**13 342**	**100**	12 461	100	7	26 411	100

* *31 December 2017 and 30 June 2018 figures have been restated to reflect the changes in the composition of earnings at an operating business level, as described above, as well as for Group Treasury reallocations. Refer to pages 46 to 53 for a detailed reconciliation.*

** *Includes FirstRand Limited (company).*

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

FNB's results reflect another strong operating performance from its domestic franchise, driven by healthy non-interest revenue (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. The performance of FNB's rest of Africa portfolio continued to improve.

RMB's portfolio also delivered a resilient performance driven by good growth in high-quality earnings and solid operational leverage. WesBank delivered a subdued performance.

The group's performance to December 2018 includes a full six-month post-tax earnings contribution of R1 037 million from Aldermore. There was, however, no contribution from Aldermore in the comparative period, therefore the commentary below excludes the consolidated Aldermore operational results, except where explicitly stated otherwise.

Total group NII increased 8% (20% including Aldermore), underpinned by strong growth in deposits of 11% (+29% including Aldermore) and solid advances growth of 9% (+28% including Aldermore), offset by negative capital and deposit endowment impact given the lower average interest rates in the reporting period. Lending margins at FNB benefited from lower funding costs, although FNB's deposit margins decreased due to the negative endowment impact, competitive pressures and strong growth in lower-margin deposit products. Lending margins at RMB were supported by higher-yielding transactions and core advances growth of 10% was achieved despite ongoing competition and the continued discipline in origination to preserve returns. WesBank's retail VAF margins were also impacted by competitive pressures and mix change in new business. Aldermore's margins remained resilient despite increased competition.

Group NIR increased 7% (8% including Aldermore) and reflects strong fee and commission income growth of 12% supported by higher volumes across FNB's digital and electronic channels and increased customer numbers. Insurance revenue increased 7%, benefiting from strong volume growth of 5% and 11%, respectively, in funeral and credit life policies at FNB, resulting in the in-force annual premium equivalent (APE) increasing 37% period-on-period. Fee, commission and insurance income represents 84% of group operational NIR. As expected, RMB's private equity realisations were slightly lower than the comparative period.

Total cost growth of 10% (16% including Aldermore) continues to trend above inflation due to ongoing investment in insurance and asset management activities, platforms to extract further efficiencies and the build-out of the group's footprint in the rest of Africa. Overall operating cost growth was negatively impacted by 1% due to the amortisation of the intangible assets following the Aldermore acquisition. The group's cost-to-income ratio increased from 51.7% to 52.4%.

FirstRand adopted IFRS 9* on 1 July 2018 and (as permitted under the accounting standard) did not restate prior period financial information. As a result, the credit performance commentary below covers the period from 1 July 2018 to 31 December 2018, for comparability purposes (as December 2017 results were prepared on an IAS 39 basis).

IFRS 9 had a material impact on the increase in non-performing loans (NPLs) due to:

- the inclusion of interest in suspense (ISP) in NPLs;
- the lengthening of the write-off period from six months to 12 months for retail unsecured loans; and
- a more stringent definition of customer rehabilitation which results in customers staying in NPLs for longer (technical cures).

In addition, IFRS 9 required FirstRand to move to a forward-looking impairment model from a point-in-time model under IAS 39. This results in earlier recognition of credit impairments and a significant increase in total balance sheet impairments.

NPLs increased 15% (16% including Aldermore) or R5.0 billion (R5.1 billion including Aldermore) since 1 July 2018 as shown in the table below.

	R million	% change	Percentage point contribution to overall NPL increase
Operational NPLs	2 752	11	8
Restructured debt review (D7)	121	3	–
Definition of rehabilitation (technical cures)	258	7	1
Lengthening of write-off period	1 943	–	6
Total	5 074	15	15

Operational NPLs reflect strong book growth, especially in certain unsecured portfolios. IFRS 9-related changes accounted for approximately 7% growth in NPLs, driven mainly by the lengthening of the write-off period. This performance is within expectations and trend rate, given growth in underlying advances.

The adoption of IFRS 9 did not result in a material increase in the income statement credit impairment charge during the period under review.

The group's credit loss ratio of 96 bps (86 bps including Aldermore) increased 19% (excluding Aldermore) on the back of strong advances growth, but remains below the group's through-the-cycle range of 100 – 110 bps. Most of the group's lending books are trending in line with expectations.

The credit impairment charge was driven by the following factors:

- an increase in FNB card, reflecting new business strain, particularly on the back of cross-sell and up-sell strategies;
- higher operational NPLs in personal loans, but in line with expectations, given the strong book growth in the prior year and in the six-month period to December 2018. The charge benefited from active collection strategies;
- a lower charge in residential mortgages, reflecting muted NPL formation on the back of conservative credit extension, and the benefit of a strong collections performance;
- an improvement in WesBank's SA VAF charge, benefiting from tightening appetite in higher-risk origination, specifically in the self-employed and small business segments;
- a moderate improvement in MotoNovo's impairment charge, reflecting the benefit of risk cuts over the last 24 months;
- FNB commercial NPLs increased 17% driven by higher collateralised agricultural and commercial property finance portfolios;
- an increase in corporate NPLs due to the migration of certain secured counterparties, with a normalisation of the credit charge in the current period; and
- some improvement in the credit performance in the rest of Africa portfolio, reflecting the benefit of proactive provisioning in the prior financial year, although ongoing tough macros in some jurisdictions the group operates in resulted in a 9% increase in NPLs since 1 July 2018.

Overall portfolio provisions were flat, with an increase in retail portfolio impairments reflective of ongoing book growth offset by a migration of certain wholesale exposures into NPL status.

* *For detailed information, refer to the IFRS 9 financial instruments transition report on the group's website, www.firstrand.co.za/InvestorCentre/Pages/ifrs9transition.aspx*

OPERATING REVIEWS

FNB

FNB represents FirstRand's activities in the retail and commercial segments in South Africa and the broader African continent. It is growing its franchise on the back of a compelling customer offering that provides a broad range of innovative financial services products.

FNB's pre-tax profits increased 12% to R12.5 billion, driven by another strong performance from its South African business, which grew pre-tax profits 12%. The turnaround in the rest of Africa portfolio continued. PBT for FNB's rest of Africa businesses improved 21%. FNB produced an ROE of 42.2%.

FNB FINANCIAL HIGHLIGHTS

	Six months ended 31 December			Year ended 30 June	As at 1 July
R million	**2018 IFRS 9**	2017 IAS 39	% change	2018 IAS 39	**2018 IFRS 9**
Normalised earnings	**8 665**	7 668	13	15 865	
Normalised profit before tax	**12 512**	11 137	12	22 814	
– South Africa	**11 650**	10 425	12	21 669	
– Rest of Africa	**862**	712	21	1 145	
Total assets	**461 389**	431 409	7	447 946	**442 646**
Total liabilities	**454 868**	419 359	8	426 472	**426 484**
Stage 3/NPLs as a % of advances (%)	**5.59**	3.50		3.80	**4.85**
Credit loss ratio (%)	**1.50**	1.38		1.36	
ROE (%)	**42.2**	38.6		38.8	
ROA (%)	**3.78**	3.61		3.62	
Cost-to-income ratio (%)	**51.0**	52.1		52.0	
Advances margin (%)	**4.26**	4.12		4.20	

FNB South Africa'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.

FNB's rest of Africa portfolio represents a mix of mature businesses with significant scale and market share (Namibia, Botswana and Swaziland), combined with recently established (subscale) and start-up businesses, such as Mozambique, Zambia, Tanzania and Ghana.

Whilst the portfolio has shown some recovery in the period under review, with losses reducing in the start-up subsidiaries, its performance continues to be impacted by tough macros and ongoing investment in the organic build-out strategies.

SEGMENT RESULTS

	Six months ended 31 December			Year ended 30 June
R million	**2018 IFRS 9**	2017 IAS 39	% change	2018 IAS 39
Normalised PBT				
Retail	**7 272**	6 561	11	13 739
Commercial	**4 378**	3 864	13	7 930
Rest of Africa	**862**	712	21	1 145
Total FNB	**12 512**	11 137	12	22 814

A breakdown of key performance measures from the South African and rest of Africa businesses is shown below.

%	FNB SA	Rest of Africa
PBT growth	12	21
Cost increase	10	4
Advances growth	10	6
Deposit growth	11	8
Stage 3/NPLs as a % of advances	5.27	7.88
Credit loss ratio	1.49	1.60
Cost-to-income ratio	48.9	66.0
Operating jaws	2.2	2.5

Despite the negative endowment impact due to lower average interest rates in the period, FNB's total NII increased 11%, driven by strong volume growth in both advances (+9%) 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 deposits 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	10	21.6	9	24.8
– Consumer	5	4.4	5	2.1
– Premium	13	17.2	10	21.2
– DirectAxis	–	–	11	1.5
Commercial	12	25.8	11	9.6
FNB Africa	8	3.0	6	3.0
Total FNB	11	50.4	9	37.4

FNB continued to see strong growth in deposits in both retail and commercial, driven by historic customer growth together with specific strategies to gather cash investment balances.

The mix of FNB's advances growth reflects its targeted, segment-specific origination strategies. The focus has been to lend to main-banked clients, creating a strong reinforcement to the transactional relationship. Growth in both the premium and consumer segments was driven by unsecured lending origination. In consumer, this was on the back of writing back to credit appetite after severe risk cuts in previous periods. The very strong growth in premium personal loans was driven by:

- FNB's strategy to displace other providers of credit to its main-banked client base;
- upward migration of customers from consumer to premium; and
- leveraging digital platforms for origination based on customer behaviour.

DirextAxis, which has been transferred from WesBank to FNB, has performed well on the back of strong advances growth of 11%.

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			
	As at 31 December			As at 1 July
R million	2018 IFRS 9	2017 IAS 39	% change	2018 IFRS 9
Residential mortgages	25 448	23 811	7	24 677
Card	4 707	4 803	(2)	4 712
Personal loans	7 732	6 965	11	7 045
Retail other	2 816	3 076	(8)	2 801

	Premium advances			
	As at 31 December			As at 1 July
R million	2018 IFRS 9	2017 IAS 39	% change	2018 IFRS 9
Residential mortgages	185 036	174 893	6	180 953
Card	20 092	16 002	26	18 093
Personal loans	12 340	7 597	62	10 153
Retail other	14 166	12 025	18	13 103

	Commercial advances			
	As at 31 December			As at 1 July
R million	2018 IFRS 9	2017 IAS 39	% change	2018 IFRS 9
Advances	97 546	87 900	11	94 558

The strength and quality of FNB's transactional franchise is clearly demonstrated in the strong NIR growth of 11%, resulting from good growth in customers (total up 4% to 8.2 million) and transaction volumes. Customer growth per segment is shown in the table below. Approximately half of the growth in premium resulted from upward migration from consumer.

CUSTOMERS

Customer segment	**Growth in customer numbers %**
Consumer	**1**
Premium	**20**
Commercial	**5**

NIR growth was driven by strong growth in transactional volumes across all segments. Premium saw strong growth in card transactional volumes, lending NIR and digital volumes, as can be seen in the table below.

CHANNEL VOLUMES

	Six months ended 31 December			Year ended 30 June
Thousands of transactions	**2018**	2017	% change	2018
ATM/ADT	**130 558**	121 389	8	243 023
Internet banking	**102 756**	104 024	(1)	205 200
Banking app	**111 687**	73 590	52	164 018
Mobile (excluding prepaid)	**21 845**	22 776	(4)	43 716
Point-of-sale merchants	**291 172**	246 532*	18	496 673
Card swipes	**441 154**	391 426*	13	785 405

* *The December 2017 numbers for point of sale have been split out into point-of-sale merchants and card swipes. The numbers have been restated due to a refinement in methodology.*

Cost growth continues to trend above inflation at 9%, but is in line with expectations given the level of ongoing investment in platform technology, the insurance, WIM and rest of Africa growth strategies, and above-inflation wage settlements. Despite these pressures, given the strong topline growth, FNB achieved positive jaws and the cost-to-income ratio improved to 51.0% (December 2017: 52.1%).

FNB recorded an increase of 19% in NPLs since 1 July 2018, in part reflecting the impact of the adoption of IFRS 9 (extension of write-off periods) for unsecured advances and more stringent rehabilitation rules).

Operational NPLs in the retail books have increased 10% since 1 July 2018, in line with expectations given strong book growth in unsecured lending, whilst residential mortgage NPLs reflect a muted increase of 2% since 1 July 2018, given ongoing disciplined origination and a strong collections performance.

NPLs in the commercial book have increased 17% since 1 July 2018, reflecting the expected residual pressure in the agricultural sector given the drought in certain parts of the country over the last three years, with an improved credit impairment charge from the rest of Africa portfolio given proactive provisioning in the prior financial year.

Overall provisioning levels have remained robust with the performing book coverage ratio constant at 1.83% (1 July 2018: 1.85%) and the total impairment coverage ratio remaining stable at 83.2% (1 July 2018: 84.2%).

Insurance revenue increased 12%, benefiting from good volume growth of 5% and 11% in funeral and credit life policies, respectively. New business APE increased 49% compared to December 2017 and was achieved across all portfolios.

NEW BUSINESS APE

	Six months ended 31 December		
R million	**2018**	2017	% change
Core life products	**466**	326	43
Underwritten products	**142**	93	53
Credit life	**396**	253	57
Total new business APE	**1 004**	672	49

This resulted in the life insurance in-force policy book growing 14% and in-force APE growing 37% compared to the prior period. Claims paid over the period increased 35%, in line with the growth in the in-force book, impacted by higher sums assured and changes in lapse rules that were implemented in October 2017. The change in lapse rules was implemented to provide customers with an improved insurance experience in line with FNB's vision to better protect them.

During the current investment cycle, customers opted for lower-risk, fixed income funds, which resulted in FNB Horizon AUM declining 9% to R3.3 billion, whilst the Ashburton Stable Income fund grew from R4.3 billion to R8.1 billion over the same period. Share trading and stockbroking assets under execution reduced 25% to R57.4 billion, driven by market movement and internal portfolio integration.

Assets under administration on the linked investment service provided (LISP) platform increased from R14.9 billion to R16.3 billion, and customers on the platform increased to 31 924 with sales through banker and digital channels now enabled via phase one of robo-advice. Trust assets under administration also showed good growth from R36.9 billion to R37.9 billion, particularly in the philanthropy trust offering. Private client-managed share portfolio AUM remained stable at R44 billion. Assets under advice amounted to R64.1 billion, including net inflows of R2 billion for the year.

WIM ASSETS

	As at 31 December			As at 1 July
R million	**2018 IFRS 9**	2017 IAS 39	% change	**2018 IFRS 9**
FNB Horizon Series AUM	**3 307**	3 646	(9)	**3 588**
Assets under advice	**64 077**	61 131	5	**66 812**
Assets under administration	**16 317**	14 915*	9	**16 408***
Trust assets under administration	**37 893**	36 945	3	**37 906**
Assets under management	**43 765**	43 650	–	**46 775**
Assets under execution	**57 367**	76 098	(25)	**70 693**

** Restated due to a portion of the business moving to Ashburton Investments.*

RMB

RMB represents the group's activities in the corporate and investment banking segments in South Africa, the broader African continent and India. The strategy leverages an entrenched origination franchise, a growing market-making and distribution product offering, a competitive transactional banking platform and a strong private equity track record to ensure delivery of an integrated corporate and investment banking (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

	Six months ended 31 December			Year ended 30 June	As at 1 July
R million	**2018 IFRS 9**	2017 IAS 39	% change	2018 IAS 39	**2018 IFRS 9**
Normalised earnings	**3 321**	3 154	5	7 353	
Normalised profit before tax	**4 725**	4 471	6	10 387	
– South Africa	**3 762**	3 604	4	8 613	
– Rest of Africa*	**963**	867	11	1 774	
Total assets	**505 557**	460 844	10	453 084	**453 141**
Total liabilities	**497 492**	451 128	10	442 516	**442 855**
Stage 3/NPLs as a % of advances (%)	**0.98**	0.35		0.85	**0.92**
Credit loss ratio (%)	**0.15**	–		0.08	
ROE (%)	**20.5**	22.9		25.3	
ROA (%)	**1.36**	1.40		1.64	
Cost-to-income ratio (%)	**45.7**	46.5		43.8	

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

RMB's diversified portfolio delivered a solid performance, with pre-tax profits increasing 6% to R4.7 billion. The ROE of 20.5% reflects RMB's high-quality earnings and solid operational leverage and was lower than in the comparative period, due to higher capital levels supporting current strong growth in advances and the impact of the sovereign downgrade in November 2017. RMB remains disciplined in its financial resource allocation to ensure preservation of returns and has maintained strong credit provisioning levels.

RMB continues to focus on growing its corporate and institutional client base and revenue pools, which resulted in strong contributions from investment banking and advisory activities, and solid corporate and transactional banking earnings. In addition, ongoing cost discipline supported continued investment into the enhancement and transformation of core platforms. The period-on-period performance was impacted by lower private equity realisations.

The rest of Africa portfolio remains key to RMB's growth strategy. The portfolio produced pre-tax profits of R963 million, up 11% on the prior period, which contributed 20% of RMB's overall pre-tax profits. This performance was supported by investment banking, corporate and transactional banking and flow trading activities.

RMB continues to execute on its client-led strategy on the continent by leveraging platforms, expertise and diversified product offerings.

BREAKDOWN OF PROFIT CONTRIBUTION BY ACTIVITY*

R million	Six months ended 31 December 2018 IFRS 9	Six months ended 31 December 2017 IAS 39	% change	Year ended 30 June 2018 IAS 39
Investment banking and advisory	**2 250**	1 992	13	4 762
Corporate and transactional banking	**1 113**	1 012	10	1 977
Markets and structuring	**853**	787	8	1 616
Investing	**471**	595	(21)	2 516
Investment management	**36**	26	38	57
Other	**2**	59	(97)	(541)
Total RMB	**4 725**	4 471	6	10 387

* *Refer to additional activity and business unit disclosure on page 42. To improve peer group comparability, core activities now include the associated endowment earned on capital invested net of group cost allocations. Comparatives have been restated accordingly.*

The investment banking and advisory activities delivered strong growth in an environment characterised by low corporate confidence, subdued economic activity and a constrained credit cycle, which resulted in some normalisation of the credit charge. However, the franchise continued to deliver solid lending income from prior-year advances growth and resilient fee income from structuring and arranging mandates both locally and in the rest of Africa. This performance was also underpinned by higher-margin balance sheet growth, both domestically and cross-border.

RMB's corporate and transactional franchise continued to focus on leveraging its platforms to grow product offerings locally and in the rest of Africa. The results were underpinned by higher transactional volumes, average deposit balances and good demand for working capital solutions. The global foreign exchange business benefited from increased client volumes and margins in certain jurisdictions in the rest of Africa.

Markets and structuring delivered an improved performance, driven by a solid performance in soft commodities and the non-repeat of an isolated operational event in the hard commodities portfolio. The credit trading portfolio produced solid growth, although this was somewhat offset by a softer performance in fixed income. Foreign exchange activities in SA and the rest of Africa were resilient.

Investing activities produced satisfactory results off a high base, with the level of realisations in the private equity portfolio down marginally period-on-period. This trend is expected to continue in the second half of the year. Given the macroeconomic environment and the significant realisations in prior periods, annuity earnings have also come under pressure. The quality and diversity of the Ventures and Corvest portfolios are, however, still reflected in the strong unrealised value which has been maintained at R3.7 billion. The business remains in an investment cycle and additional investments, which will contribute to earnings growth in future periods, were made during the period.

Other activities primarily benefited from the reduction of losses in the legacy portfolios, which was offset by increased costs associated with continued investment in the markets infrastructure platform.

WESBANK

Following the structural changes outlined earlier, WesBank now represents the group's activities in instalment credit, fleet management and related services in the retail, commercial and corporate segments of South Africa.

The restructuring allows WesBank to focus on protecting and growing its unique and long-standing model of partnering with leading motor manufacturers, suppliers and dealer groups. This gives WesBank a market-leading point-of-sale presence.

WESBANK FINANCIAL HIGHLIGHTS

	Six months ended 31 December			Year ended 30 June	As at 1 July
R million	**2018 IFRS 9**	2017 IAS 39	% change	2018 IAS 39	**2018 IFRS 9**
Normalised earnings	**957**	952	1	1 854	
Normalised profit before tax	**1 361**	1 353	1	2 643	
Total assets	**139 567**	138 935	–	142 104	**140 734**
Total liabilities	**137 854**	138 035	–	139 643	**139 713**
Stage 3/NPLs as a % of advances (%)	**5.57**	4.75		5.15	**5.31**
Credit loss ratio (%)	**1.25**	1.41		1.47	
ROE (%)	**19.6**	18.3		17.4	
ROA (%)	**1.33**	1.34		1.27	
Cost-to-income ratio (%)	**48.0**	46.2		46.6	
Net interest margin (%)	**3.30**	3.41		3.31	

On a like-for-like basis, with DirectAxis and MotoNovo excluded, normalised earnings increased marginally to R957 million (2017: R952 million) and the business delivered an ROE of 19.6% and an ROA of 1.33%. Both the retail and corporate VAF businesses had a challenging six months and, in the face of increasing competition, focused on protecting the origination franchise and return profile through disciplined risk appetite. WesBank's operating model and relationships strengthened with new partnerships with KTM, Harley Davidson, Triumph and Vespa.

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

BREAKDOWN OF PROFIT CONTRIBUTION BY ACTIVITY*

	Six months ended 31 December			Year ended 30 June
R million	**2018 IFRS 9**	2017 IAS 39	% change	2018 IAS 39
Normalised PBT				
VAF	**1 361**	1 353	1	2 643
– Retail SA**	**1 171**	1 155	1	2 235
– Corporate and commercial	**190**	198	(4)	408
Total WesBank	**1 361**	1 353	1	2 643

* *Refer to additional segmental disclosure on page 43.*

** *Includes MotoVantage.*

The performance of the SA retail VAF business benefited from improved impairment levels, down from 1.80% in the prior period to 1.48%. The corporate VAF business, however, saw a deterioration in credit quality emanating from stress in the transport, mining and construction sectors.

NPLs increased 4% since 1 July 2018, impacted by protracted collection timelines and more customers opting for debt review. In addition, as previously disclosed, higher-than-expected NPLs in the self-employed and small business segments resulting from operational issues with some scorecards, including third-party data quality, continued to play out in the reporting period.

Advances in retail VAF grew period-on-period, but margin pressure continued, partly due to increased competitive activity and WesBank's current focus on originating lower-risk business, which is generally written at lower margins, and a new business origination mix change from fixed to floating-rate business. The full maintenance leasing (FML) book continued to perform well on the back of meaningful deals signed during the reporting period partly offset by ongoing cost drag.

Total WesBank NIR growth – mainly insurance and fleet revenues – continues, based on new deals written, however, rental revenues benefited from growth of >11% in the full maintenance leasing book.

WesBank continues to control operational expenditure and invest in process improvements, and whilst the cost-to-income ratio has decreased due to topline pressure, cost growth is tracking at less than inflation.

ALDERMORE

Aldermore is a UK specialist lender and savings bank, which has grown significantly on the back of a clear strategy to offer simple financial products and solutions to meet the needs of underserved small and medium-sized enterprises (SMEs), as well as homeowners, professional landlords and savers. At 31 December 2018, Aldermore had 243 000 customers with advances of £9.4 billion and £8 billion of customer deposits.

Aldermore focuses on specialist lending across five areas: asset finance, invoice finance, SME commercial mortgages, residential mortgages and buy-to-let mortgages. It is funded primarily by deposits from UK savers. With no branch network, it serves customers and intermediary partners online, by phone and face to face through a network of eight regional offices located around the UK.

Aldermore's commitment to exceptional service, total transparency and its vision to deliver "banking as it should be" has resulted in a differentiated customer proposition.

ALDERMORE FINANCIAL HIGHLIGHTS

R million	Six months ended 31 December 2018 IFRS 9	Year ended 30 June 2018 IAS 39	% change	As at 1 July 2018 IFRS 9
Normalised earnings	**1 037**	276	–	
Normalised profit before tax	**1 369**	549	–	
Total assets	**204 084**	189 867	7	**189 734**
Total liabilities	**189 338**	176 089	8	**176 100**
Stage 3/NPLs as a % of advances (%)	**1.02**	0.38		**1.05**
Credit loss ratio (%)	**0.23**	0.12		
ROE (%)*	**16.0**	12.1		
ROA (%)*	**1.05**	0.80		
Cost-to-income ratio (%)	**47.3**	52.5		
Net interest margin (%)	**3.43**	3.15		

* *In rand terms.*

BREAKDOWN OF PROFIT CONTRIBUTION BY ACTIVITY

R million	Six months ended 31 December 2018 IFRS 9	Year ended 30 June* 2018 IAS 39
Normalised PBT		
Asset finance	**461**	220
Invoice finance	**119**	54
SME commercial mortgages	**378**	160
Buy-to-let mortgages	**1 075**	433
Residential mortgages	**337**	154
Central functions	**(1 001)**	(472)
Total Aldermore	**1 369**	549

* *Reflects three months' contribution from 1 April 2018.*

In the six-month period, Aldermore delivered a strong operational performance, characterised by:

- advances growth of 5% to £9.4 billion;
- customer deposits of £8 billion, up 3%;
- statutory PBT of £74.7 million;
- ROE of 15.8% and an ROA of 1.04% in pound terms; and
- NII of £159 million.

MOTONOVO

MotoNovo profits declined 37% in pound terms to £20.6 million period-on-period.

MotoNovo's performance was negatively impacted by:

- lower net interest margins due to funding cost pressures;
- lower new business origination (-18% in pound terms) due to risk cutbacks and competitors benefiting from relatively lower funding costs; and
- ongoing investment drag of findandfundmycar.com, and the costs associated with the terminated diversification strategies.

The MotoNovo VAF impairment charge increased 6% in pound terms as new business focused on lower-risk segments, and legacy business already written matures.

ASHBURTON INVESTMENTS

The asset management activities of the group are represented by Ashburton Investments (Ashburton), which was launched in 2013 as part of FirstRand's strategy to access broader financial services profit pools.

Ashburton's strategy is to disrupt in alternative investments as regulatory changes have allowed institutions to invest in private market and alternative assets. The group's track record in origination and structuring presents investors with opportunities to participate in private equity, renewable energy and credit investments (including investment grade, non-investment grade and mezzanine credit).

Ashburton's portfolio also consists of a traditional range of equity, fixed income and multi-asset funds. Its long-standing international offshore multi-asset range has recently been strengthened through an investment partnership with Fidelity International. This range is well positioned for South African investors looking to diversify into international markets.

Ashburton's AUM decreased 2.6% period-on-period from R101 billion to R98 billion. Whilst there were good flows into the fixed income range due to the market cycle and the strong performance in this range, this was offset by outflows in the offshore multi-asset range as well as structured products. These products are in the process of being restructured to further align to client needs in current markets. The private markets business continues to deliver inflows on the back of winning new mandates.

Despite a tough year for local financial markets, investment performance continues to show resilience, with the majority of funds delivering solid performances relative to peer groups.

SEGMENT ANALYSIS OF NORMALISED EARNINGS

	Six months ended 31 December					Year ended 30 June	
R million	**2018 IFRS 9**	**% composition**	2017 IAS 39	% composition	% change	2018 IAS 39	% composition
Retail	**6 604**	**49**	6 127	49	8	12 449	47
– FNB*	**5 513**		4 886			10 155	
– WesBank	**820**		809			1 560	
– MotoNovo	**271**		432			734	
Commercial	**3 289**	**25**	2 925	24	12	6 004	23
– FNB	**3 152**		2 782			5 710	
– WesBank	**137**		143			294	
Corporate and investment banking	**3 321**	**25**	3 154	25	5	7 353	28
– RMB*	**3 321**		3 154			7 353	
Aldermore**	**1 037**	**8**	–	–	–	276	1
Other	**(909)**	**(7)**	255	2	(>100)	329	1
– FCC (including Group Treasury) and consolidation adjustments	**(739)**		432			680	
– NCNR preference dividend	**(170)**		(177)			(351)	
Normalised earnings	**13 342**	**100**	12 461	100	7	26 411	100

* *Includes rest of Africa.*

** *After the dividend on the contingent convertible securities of R115 million at 30 June 2018.*

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 (RWA) 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

Capital and leverage ratios as at 31 December 2018 are summarised below.

	Capital			Leverage
%	CET1	Tier 1	Total	Total
Regulatory minimum*	7.5	9.0	11.3	4.0
Internal target	10.0 – 11.0	>12.0	>14.0	>5.0
FirstRand group actual**	**12.0**	**12.6**	**14.8**	**7.4**
FirstRand Bank actual**	**13.1**	**13.6**	**16.9**	**7.2**

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

** *Includes the transitional Day 1 impact of IFRS 9. Ratios include unappropriated profits. FirstRand Bank includes foreign branches.*

The group's Common Equity Tier 1 (CET1) ratio was 12.0% at 31 December 2018 (June 2018: 11.5%; December 2017: 14.0%). The period-on-period movement in the CET1 position is unpacked as follows:

- June 2018 vs December 2017: 240 bps decrease due to the acquisition of Aldermore.
- December 2018 vs June 2018: 50 bps increase as a result of:
  - ongoing net internal capital generation;
  - once-off Discovery card transaction;
  - inclusion of minority capital previously excluded; and
  - successful optimisation strategies, e.g. securitisation structures.

  This was partly offset by the Day 1 transitional impact of IFRS 9 (≈12 bps) on 1 July 2018 and RWA growth tracking asset growth.

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 group considers external issues that could impact capital levels, which include regulatory, accounting and tax changes, as well as macroeconomic conditions and outlook.

The group continues to actively manage its capital composition and, to this end, issued its first Basel III-compliant Additional Tier 1 (AT1) instrument (R2.3 billion) in the domestic market. It follows the successful issuance of FirstRand Bank's inaugural $500 million Tier 2 bond in the international markets. This resulted in a more efficient capital structure, which is closely aligned with the group's internal targets. It remains the group's intention to continue optimising its capital stack by issuing AT1 and Tier 2 capital instruments in the domestic and/or international markets. This will ensure sustainable support for ongoing growth initiatives and redemption of existing capital 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 (HQLA) that is 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 liquidity coverage ratio (LCR) and net stable funding ratio (NSFR) as at 31 December 2018 are summarised below.

	LCR		NSFR	
%	Group	Bank*	Group	Bank*
Regulatory minimum	90	90	100	100
Actual	122	130	112	110
Average available HQLA (billion)	216	200	n/a	n/a

* *Excludes foreign branches.*

Regulatory update

The Draft Financial Sector Laws Amendment Bill was published for comment by National Treasury in October 2018. In order to support the pending resolution framework, the bill proposes the necessary amendments to various acts, including the Insolvency Act, South African Reserve Bank Act, Banks Act, Mutual Banks Act, Competition Act, Financial Markets Act and Insurance Act, with a view to strengthening the ability of the SARB to manage the orderly resolution or winding down of a failing financial institution with minimum disruption to the broader economy. One of the key amendments included in the bill is the establishment of the Corporation of Deposit Insurance (CoDI) designed to protect depositors' funds and enhance financial stability.

The bill is awaiting promulgation by parliament before it is enacted, but in the interim, the relevant regulators are continuously engaging with industry to continue working on the design and finalisation of the outstanding elements of the resolution framework.

DIVIDEND STRATEGY

Given the group's high return profile and strong capital generation, the board has maintained the dividend cover at 1.7x which continues to track below its stated long-term cover range of 1.8x to 2.2x.

As previously communicated, however, should capital demand increase to support sustainable balance sheet growth, the board will revisit whether it should migrate back into the stated long-term cover range.

PROSPECTS

Given 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 low commodity prices and a further slowdown in global growth, means that domestic economic activity will remain under pressure for the rest of 2019. Against this backdrop, private sector activities, such as corporate investment and household consumption, will remain subdued.

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 higher insurance revenues and good deposit and advances growth. RMB's performance will be impacted in the second half of the year, given the very high level of private equity realisations in the base of the six months to June 2018.

With regard to the rest of Africa, there are signs that economic activity is improving in some of the other sub-Saharan African countries in which FirstRand operates, and the group expects its portfolio to continue to show an incrementally improved performance.

Given the macro uncertainty in the UK and ongoing investment costs into systems and processes, including MotoNovo's integration, Aldermore's growth trajectory is expected to slow marginally.

The group continues to target real growth in earnings (defined as real GDP plus CPI) and superior returns. Given the base effect created by the high level of private equity realisations in the second half of last year, delivering real growth in earnings in the short term will be challenging, however, the current return profile of the group is expected to remain resilient.

DISCOVERY CARD

FirstRand received the final consideration for the Discovery card transaction on 21 November 2018, with a resultant after-tax profit for the group of approximately R2.3 billion, which was included in attributable earnings for the period under review. However, given the non-operational nature of the profit, it was excluded from headline and normalised earnings.

At 31 December 2018, FCC included Discovery card advances with a gross value of R4.3 billion, which will be transferred at carrying value.

FNB SWAZILAND

A minority interest in FNB Swaziland will be offered to local investors through a listing on the Swaziland Stock Exchange in the second half of the 2019 financial year.

EVENTS AFTER REPORTING PERIOD

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

BOARD CHANGES

Changes to the directorate are outlined below.

		Effective date
Appointments		
M Vilakazi	COO and executive director	1 July 2018
LL von Zeuner	Independent non-executive director	1 February 2019
Change in designation		
JP Burger	Non-executive director	1 September 2018
JJ Durand	Alternate non-executive director	3 September 2018

CASH DIVIDEND DECLARATIONS

ORDINARY SHARES

The directors declared a gross cash dividend totalling 139.0 cents per ordinary share out of income reserves for the six months ended 31 December 2018.

DIVIDENDS

Ordinary shares

	Six months ended 31 December	
Cents per share	**2018**	2017
Interim (declared 11 March 2019)	**139.0**	130.0

The salient dates for the interim ordinary dividend are as follows:

Last day to trade cum-dividend	Tuesday 2 April 2019
Shares commence trading ex-dividend	Wednesday 3 April 2019
Record date	Friday 5 April 2019
Payment date	Monday 8 April 2019

Share certificates may not be dematerialised or rematerialised between Wednesday, 3 April 2019, and Friday, 5 April 2019, both days inclusive.

For shareholders who are subject to dividend withholding tax (DWT), tax will be calculated at 20% (or such lower rate as is applicable if a double taxation agreement applies for foreign shareholders).

For South African shareholders who are subject to DWT, the net interim dividend after deducting 20% tax will be 111.20000 cents per share.

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

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

B preference shares

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

DIVIDENDS DECLARED AND PAID

Cents per share	Preference dividends
Period:	
28 February 2017 – 28 August 2017	**393.6**
29 August 2017 – 26 February 2018	**386.2**
27 February 2018 – 27 August 2018	**378.3**
28 August 2018 – 25 February 2019	**381.7**

WR JARDINE
Chairman

AP PULLINGER
CEO

C LOW
Company secretary

11 March 2019

Segment report

for the six months ended 31 December 2018 IFRS 9

	FNB							
	Retail							
R million	Residential mortgages	Card	FNB loans	DirectAxis loans	Total personal loans	Retail other	**Retail**	Commercial
Net interest income before impairment of advances	2 272	1 164	1 691	1 514	3 205	3 561	**10 202**	5 247
Impairment charge	(93)	(349)	(655)	(664)	(1 319)	(683)	**(2 444)**	(376)
Net interest income after impairment of advances	2 179	815	1 036	850	1 886	2 878	**7 758**	4 871
Non-interest revenue	306	884	475	624	1 099	7 019	**9 308**	4 262
Income from operations	2 485	1 699	1 511	1 474	2 985	9 897	**17 066**	9 133
Operating expenses	(961)	(924)	(586)	(744)	(1 330)	(6 265)	**(9 480)**	(4 731)
Net income from operations	1 524	775	925	730	1 655	3 632	**7 586**	4 402
Share of profit of associates and joint ventures after tax	–	–	–	42	42	16	**58**	2
Income before tax	1 524	775	925	772	1 697	3 648	**7 644**	4 404
Indirect tax	(7)	(24)	(9)	(40)	(49)	(292)	**(372)**	(26)
Profit before tax	1 517	751	916	732	1 648	3 356	**7 272**	4 378
Income tax expense	(424)	(210)	(256)	(205)	(461)	(975)	**(2 070)**	(1 226)
Profit for the period	1 093	541	660	527	1 187	2 381	**5 202**	3 152
Attributable to								
Ordinary equityholders	1 093	541	660	527	1 187	2 381	**5 202**	3 152
NCNR preference shareholders and contingent convertible securities	–	–	–	–	–	–	**–**	–
Non-controlling interests	–	–	–	–	–	–	**–**	–
Profit for the period	1 093	541	660	527	1 187	2 381	**5 202**	3 152
Earnings attributable to ordinary shareholders	1 093	541	660	527	1 187	2 381	**5 202**	3 152
Headline earnings adjustments	–	–	–	–	–	–	**–**	–
Headline earnings	1 093	541	660	527	1 187	2 381	**5 202**	3 152
TRS and IFRS 2 liability remeasurement	–	–	–	–	–	–	**–**	–
Treasury shares	–	–	–	–	–	–	**–**	–
IAS 19 adjustment	–	–	–	–	–	–	**–**	–
Private equity-related	–	–	–	–	–	–	**–**	–
Normalised earnings‡	1 093	541	660	527	1 187	2 381	**5 202**	3 152

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

* *Refer to additional activity and business unit disclosure on page 42.*

** *Refer to additional segmental disclosure on page 43.*

Refer to additional segmental disclosure on page 44.

† *FCC represents group-wide functions.*

‡ *Normalised earnings for FNB, RMB and WesBank exclude the return of capital in the rest of Africa, cost of preference shares and other capital and, therefore, differ from operating business normalised earnings reported on page 140.*

Notes:

During the current financial period:

- *Discovery card is included in FCC (including Group Treasury) and other;*
- *DirectAxis loans, previously referred to as WesBank loans, is included in FNB retail personal loans;*
- *WesBank Africa is included in FNB Africa; and*
- *MotoNovo is included in FCC (including Group Treasury) and other.*

		RMB								
FNB Africa	Total FNB	Investment banking	Corporate banking	Total RMB*	WesBank**	Aldermore#	FCC† (including Group Treasury) and other	FirstRand group – normalised	Normalised adjustments	FirstRand group – IFRS
2 012	17 461	2 689	1 379	4 068	2 629	2 925	2 323	29 406	720	30 126
(434)	(3 254)	(214)	(19)	(233)	(856)	(192)	(486)	(5 021)	–	(5 021)
1 578	14 207	2 475	1 360	3 835	1 773	2 733	1 837	24 385	720	25 105
2 014	15 584	3 508	1 327	4 835	1 564	196	(1 099)	21 080	2 433	23 513
3 592	29 791	5 983	2 687	8 670	3 337	2 929	738	45 465	3 153	48 618
(2 658)	(16 869)	(2 672)	(1 567)	(4 239)	(2 087)	(1 479)	(2 055)	(26 729)	(82)	(26 811)
934	12 922	3 311	1 120	4 431	1 250	1 450	(1 317)	18 736	3 071	21 807
1	61	379	–	379	156	4	(119)	481	6	487
935	12 983	3 690	1 120	4 810	1 406	1 454	(1 436)	19 217	3 077	22 294
(73)	(471)	(78)	(7)	(85)	(45)	(85)	(109)	(795)	–	(795)
862	12 512	3 612	1 113	4 725	1 361	1 369	(1 545)	18 422	3 077	21 499
(280)	(3 576)	(1 010)	(312)	(1 322)	(381)	(334)	1 138	(4 475)	(687)	(5 162)
582	8 936	2 602	801	3 403	980	1 035	(407)	13 947	2 390	16 337
311	8 665	2 586	735	3 321	957	1 037	(638)	13 342	2 390	15 732
–	–	–	–	–	–	(2)	170	168	–	168
271	271	16	66	82	23	–	61	437	–	437
582	8 936	2 602	801	3 403	980	1 035	(407)	13 947	2 390	16 337
311	8 665	2 586	735	3 321	957	1 037	(638)	13 342	2 390	15 732
–	–	–	–	–	–	–	–	–	(2 388)	(2 388)
311	8 665	2 586	735	3 321	957	1 037	(638)	13 342	2	13 344
–	–	–	–	–	–	–	–	–	64	64
–	–	–	–	–	–	–	–	–	(14)	(14)
–	–	–	–	–	–	–	–	–	(52)	(52)
–	–	–	–	–	–	–	–	–	–	–
311	8 665	2 586	735	3 321	957	1 037	(638)	13 342	–	13 342

Segment report continued

for the six months ended 31 December 2018 IFRS 9

	FNB							
	Retail							
R million	Residential mortgages	Card	FNB loans	DirectAxis loans	Total personal loans	Retail other	**Retail**	Commercial
Cost-to-income ratio (%)	37.3	45.1	27.1	34.1	30.6	59.1	**48.4**	49.7
Diversity ratio (%)	11.9	43.2	21.9	30.6	26.3	66.4	**47.9**	44.8
Credit loss ratio (%)	0.09	2.93	7.03	8.60	7.74	8.31	**1.73**	0.78
Stage 3/NPLs as a percentage of advances (%)	3.84	6.82	12.34	15.60	13.78	9.81	**5.69**	4.02
Consolidated income statement includes:								
Depreciation	(3)	(2)	(1)	(25)	(26)	(787)	**(818)**	(24)
Amortisation	–	(6)	–	(20)	(20)	(61)	**(87)**	–
Net impairment charges	–	–	–	–	–	(51)	**(51)**	1
Consolidated statement of financial position includes:								
Advances (before impairments)	210 484	24 799	20 072	15 884	35 956	16 982	**288 221**	97 546
– Normal advances (AC and FV)	210 484	24 799	20 072	15 884	35 956	16 982	**288 221**	97 546
– Securitised advances	–	–	–	–	–	–	**–**	–
Stage 3/NPLs	8 081	1 691	2 476	2 478	4 954	1 666	**16 392**	3 925
Investment in associated companies	–	–	–	355	355	254	**609**	19
Investment in joint ventures	–	–	–	–	–	–	**–**	2
Total deposits (including non-recourse deposits)	565	1 445	9	–	9	237 080	**239 099**	232 419
Total assets	208 174	22 752	16 747	14 795	31 542	41 624	**304 092**	98 844
Total liabilities[†]	207 881	22 948	16 971	16 349	33 320	34 598	**298 747**	97 559
Capital expenditure	9	17	2	68	70	696	**792**	44

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

* *Refer to additional activity and business unit disclosure on page 42.*

** *Refer to additional segmental disclosure on page 43.*

\# *Refer to additional segmental disclosure on page 44.*

† *FCC represents group-wide functions.*

‡ *Total liabilities are net of interdivisional balances.*

Notes:

During the current financial period:

- *Discovery card is included in FCC (including Group Treasury) and other;*
- *DirectAxis loans, previously referred to as WesBank loans, is included in FNB retail personal loans;*
- *WesBank Africa is included in FNB Africa; and*
- *MotoNovo is included in FCC (including Group Treasury) and other.*

			RMB								
	FNB Africa	Total FNB	Investment banking	Corporate banking	Total RMB*	WesBank**	Aldermore#	FCC† (including Group Treasury) and other	FirstRand group – normalised	Normalised adjustments	FirstRand group – IFRS
	66.0	51.0	40.6	57.9	45.7	48.0	47.3	(>100)	52.4	–	49.5
	50.0	47.3	59.1	49.0	56.2	39.5	6.4	>100	42.3	–	44.3
	1.60	1.50	0.16	0.06	0.15	1.25	0.23	0.83	0.86	–	0.86
	7.88	5.59	0.98	1.01	0.98	5.57	1.02	1.12	3.20	–	3.20
	(162)	(1 004)	(61)	(6)	(67)	(291)	14	(67)	(1 415)	–	(1 415)
	(9)	(96)	(21)	(2)	(23)	(5)	31	(288)	(381)	–	(381)
	–	(50)	–	(8)	(8)	2	–	–	(56)	–	(56)
	54 548	440 315	273 770	68 839	342 609	135 910	172 815	113 465	1 205 114	–	1 205 114
	54 548	440 315	273 770	68 839	342 609	126 158	165 098	78 953	1 153 133	–	1 153 133
	–	–	–	–	–	9 752	7 717	34 512	51 981	–	51 981
	4 296	24 613	2 678	694	3 372	7 570	1 762	1 271	38 588	–	38 588
	10	638	2 748	–	2 748	2 079	94	67	5 626	–	5 626
	–	2	1 774	–	1 774	6	–	(16)	1 766	52	1 818
	41 439	512 957	97 465	137 426	234 891	72	184 440	406 261	1 338 621	–	1 338 621
	58 453	461 389	431 138	74 419	505 557	139 567	204 084	278 865	1 589 462	31	1 589 493
	58 562	454 868	423 250	74 242	497 492	137 854	189 338	176 606	1 456 158	–	1 456 158
	78	914	157	14	171	826	15	–	1 926	–	1 926

Segment report continued

for the six months ended 31 December 2017 IAS 39

	FNB							
	Retail							
R million	Residential mortgages	Card	FNB loans	DirectAxis loans	Total personal loans	Retail other	**Retail**	Commercial
Net interest income before impairment of advances	2 164	1 081	1 268	1 323	2 591	3 287	**9 123**	4 741
Impairment charge	(144)	(263)	(400)	(527)	(927)	(635)	**(1 969)**	(333)
Net interest income after impairment of advances	2 020	818	868	796	1 664	2 652	**7 154**	4 408
Non-interest revenue	306	735	397	597	994	6 272	**8 307**	3 803
Income from operations	2 326	1 553	1 265	1 393	2 658	8 924	**15 461**	8 211
Operating expenses	(924)	(816)	(467)	(677)	(1 144)	(5 765)	**(8 649)**	(4 329)
Net income from operations	1 402	737	798	716	1 514	3 159	**6 812**	3 882
Share of profit of associates and joint ventures after tax	–	–	–	56	56	4	**60**	3
Income before indirect tax	1 402	737	798	772	1 570	3 163	**6 872**	3 885
Indirect tax	(6)	(20)	(9)	(41)	(50)	(235)	**(311)**	(21)
Profit before income tax	1 396	717	789	731	1 520	2 928	**6 561**	3 864
Income tax expense	(391)	(192)	(221)	(205)	(426)	(828)	**(1 837)**	(1 082)
Profit for the period	1 005	525	568	526	1 094	2 100	**4 724**	2 782
Attributable to								
Ordinary equityholders	1 005	525	568	526	1 094	2 100	**4 724**	2 782
NCNR preference shareholders and contingent convertible securities	–	–	–	–	–	–	**–**	–
Non-controlling interests	–	–	–	–	–	–	**–**	–
Profit for the period	1 005	525	568	526	1 094	2 100	**4 724**	2 782
Earnings attributable to ordinary shareholders	1 005	525	568	526	1 094	2 100	**4 724**	2 782
Headline earnings adjustments	–	–	–	–	–	–	**–**	–
Headline earnings	1 005	525	568	526	1 094	2 100	**4 724**	2 782
TRS and IFRS 2 liability remeasurement	–	–	–	–	–	–	**–**	–
Treasury shares	–	–	–	–	–	–	**–**	–
IAS 19 adjustment	–	–	–	–	–	–	**–**	–
Private equity-related	–	–	–	–	–	–	**–**	–
Normalised earnings†	1 005	525	568	526	1 094	2 100	**4 724**	2 782

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

* *Refer to additional activity and business unit disclosure on page 42.*

** *Refer to additional segmental disclosure on page 43.*

\# *FCC represents group-wide functions.*

† *Normalised earnings for FNB, RMB and WesBank exclude the return of capital in the rest of Africa, cost of preference shares and other capital and, therefore, differ from operating business normalised earnings reported on page 140.*

Notes:

The six months ended 31 December 2017 information was restated for the following, due to an internal restructure:

- *Discovery card was reclassified from Card in FNB to FCC (including Group Treasury) and other;*
- *DirectAxis loans, previously referred to as WesBank loans, was reclassified from WesBank to FNB retail personal loans;*
- *WesBank Africa was reclassified from WesBank to FNB Africa; and*
- *MotoNovo was reclassified from WesBank to FCC (including Group Treasury) and other.*

The effect of these transfers can be found on pages 46 to 53.

			RMB								
	FNB Africa	**Total FNB**	Investment banking	Corporate banking	**Total RMB***	**WesBank****	**Aldermore**	FCC# (including Group Treasury) and other	**FirstRand group – normalised**	Normalised adjustments	**FirstRand group – IFRS**
	1 894	**15 758**	2 182	1 249	**3 431**	**2 645**	**–**	2 731	**24 565**	(831)	**23 734**
	(444)	**(2 746)**	(5)	5	**–**	**(943)**	**–**	(363)	**(4 052)**	–	**(4 052)**
	1 450	**13 012**	2 177	1 254	**3 431**	**1 702**	**–**	2 368	**20 513**	(831)	**19 682**
	1 891	**14 001**	3 474	1 138	**4 612**	**1 525**	**–**	(624)	**19 514**	1 875	**21 389**
	3 341	**27 013**	5 651	2 392	**8 043**	**3 227**	**–**	1 744	**40 027**	1 044	**41 071**
	(2 558)	**(15 536)**	(2 576)	(1 375)	**(3 951)**	**(1 998)**	**–**	(1 548)	**(23 033)**	(675)	**(23 708)**
	783	**11 477**	3 075	1 017	**4 092**	**1 229**	**–**	196	**16 994**	369	**17 363**
	1	**64**	452	–	**452**	**155**	**–**	(183)	**488**	5	**493**
	784	**11 541**	3 527	1 017	**4 544**	**1 384**	**–**	13	**17 482**	374	**17 856**
	(72)	**(404)**	(68)	(5)	**(73)**	**(31)**	**–**	30	**(478)**	–	**(478)**
	712	**11 137**	3 459	1 012	**4 471**	**1 353**	**–**	43	**17 004**	374	**17 378**
	(297)	**(3 216)**	(971)	(283)	**(1 254)**	**(378)**	**–**	954	**(3 894)**	(88)	**(3 982)**
	415	**7 921**	2 488	729	**3 217**	**975**	**–**	997	**13 110**	286	**13 396**
	162	**7 668**	2 481	673	**3 154**	**952**	**–**	687	**12 461**	288	**12 749**
	–	**–**	–	–	**–**	**–**	**–**	177	**177**	–	**177**
	253	**253**	7	56	**63**	**23**	**–**	133	**472**	(2)	**470**
	415	**7 921**	2 488	729	**3 217**	**975**	**–**	997	**13 110**	286	**13 396**
	162	**7 668**	2 481	673	**3 154**	**952**	**–**	687	**12 461**	288	**12 749**
	–	**–**	–	–	**–**	**–**	**–**	–	**–**	(176)	**(176)**
	162	**7 668**	2 481	673	**3 154**	**952**	**–**	687	**12 461**	112	**12 573**
	–	**–**	–	–	**–**	**–**	**–**	–	**–**	(137)	**(137)**
	–	**–**	–	–	**–**	**–**	**–**	–	**–**	8	**8**
	–	**–**	–	–	**–**	**–**	**–**	–	**–**	(56)	**(56)**
	–	**–**	–	–	**–**	**–**	**–**	–	**–**	73	**73**
	162	**7 668**	2 481	673	**3 154**	**952**	**–**	687	**12 461**	–	**12 461**

Segment report continued
for the six months ended 31 December 2017 IAS 39

	FNB							
	Retail							
R million	Residential mortgages	Card	FNB loans	DirectAxis loans	Total personal loans	Retail other	**Retail**	Commercial
Cost-to-income ratio (%)	37.4	44.9	28.0	34.3	31.4	60.3	**49.5**	50.6
Diversity ratio (%)	12.4	40.5	23.8	33.0	28.8	65.6	**47.8**	44.5
Credit loss ratio (%)	0.15	2.60	5.53	7.54	6.52	8.48	**1.51**	0.77
Stage 3/NPLs as a percentage of advances (%)	2.28	4.17	8.75	11.10	9.92	5.27	**3.44**	2.54
Consolidated income statement includes:								
Depreciation	(2)	(2)	(1)	(18)	(19)	(748)	**(771)**	(22)
Amortisation	–	(4)	–	(19)	(19)	(43)	**(66)**	–
Net impairment charges	–	–	–	–	–	(14)	**(14)**	(1)
Consolidated statement of financial position includes:								
Advances (before impairments)	198 704	20 805	14 562	14 369	28 931	15 101	**263 541**	87 900
– Normal advances (AC and FV)	198 704	20 805	14 562	14 369	28 931	15 101	**263 541**	87 900
– Securitised advances	–	–	–	–	–	–	**–**	–
Stage 3/NPLs	4 535	867	1 274	1 595	2 869	796	**9 067**	2 235
Investment in associated companies	–	–	–	342	342	238	**580**	–
Investment in joint ventures	–	–	–	–	–	–	**–**	15
Total deposits (including non-recourse deposits)	677	1 421	–	–	–	215 364	**217 462**	206 666
Total assets	197 338	19 977	13 171	14 716	27 887	40 000	**285 202**	89 470
Total liabilities†	196 917	19 664	12 750	13 370	26 120	32 843	**275 544**	87 230
Capital expenditure	4	15	1	20	21	917	**957**	30

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

* *Refer to additional activity and business unit disclosure on page 42.*

** *Refer to additional segmental disclosure on page 43.*

FCC represents group-wide functions.

† *Total liabilities are net of interdivisional balances.*

Notes:

The six months ended 31 December 2017 information was restated for the following, due to an internal restructure:

- *Discovery card was reclassified from Card in FNB to FCC (including Group Treasury) and other;*
- *DirectAxis loans, previously referred to as WesBank loans, was reclassified from WesBank to FNB retail personal loans;*
- *WesBank Africa was reclassified from WesBank to FNB Africa; and*
- *MotoNovo was reclassified from WesBank to FCC (including Group Treasury) and other.*

The effect of these transfers can be found on pages 46 to 53.

			RMB								
	FNB Africa	**Total FNB**	Investment banking	Corporate banking	**Total RMB***	**WesBank****	**Aldermore**	FCC# (including Group Treasury) and other	**FirstRand group – normalised**	Normalised adjustments	**FirstRand group – IFRS**
	67.6	**52.1**	42.2	57.6	**46.5**	**46.2**	**–**	(>100)	**51.7**	–	**52.0**
	50.0	**47.2**	64.3	47.7	**59.6**	**38.8**	**–**	>100	**44.9**	–	**48.0**
	1.70	**1.38**	–	(0.02)	**–**	**1.41**	**–**	0.67	**0.87**	–	**0.87**
	5.42	**3.50**	0.38	0.19	**0.35**	**4.75**	**–**	0.45	**2.33**	–	**2.33**
	(143)	**(936)**	(76)	(4)	**(80)**	**(310)**	**–**	(34)	**(1 360)**	–	**(1 360)**
	(11)	**(77)**	(20)	–	**(20)**	**(3)**	**–**	(3)	**(103)**	–	**(103)**
	–	**(15)**	–	(5)	**(5)**	**–**	**–**	(1)	**(21)**	(5)	**(26)**
	51 522	**402 963**	239 398	51 414	**290 812**	**133 557**	**–**	117 676	**945 008**	(420)	**944 588**
	51 522	**402 963**	239 398	51 414	**290 812**	**126 837**	**–**	93 969	**914 581**	(420)	**914 161**
	–	**–**	–	–	**–**	**6 720**	**–**	23 707	**30 427**	–	**30 427**
	2 791	**14 093**	910	100	**1 010**	**6 344**	**–**	535	**21 982**	–	**21 982**
	8	**588**	2 487	–	**2 487**	**2 063**	**–**	588	**5 726**	–	**5 726**
	–	**15**	1 883	–	**1 883**	**9**	**–**	(17)	**1 890**	56	**1 946**
	38 416	**462 544**	90 131	134 916	**225 047**	**45**	**–**	352 406	**1 040 042**	–	**1 040 042**
	56 737	**431 409**	405 983	54 861	**460 844**	**138 935**	**–**	260 536	**1 291 724**	(32)	**1 291 692**
	56 585	**419 359**	397 558	53 570	**451 128**	**138 035**	**–**	161 854	**1 170 376**	–	**1 170 376**
	136	**1 123**	61	20	**81**	**808**	**–**	15	**2 027**	–	**2 027**

Segment report continued

for the year ended 30 June 2018 IAS 39

R million	Residential mortgages	Card	FNB loans	DirectAxis loans	Total personal loans	Retail other	Retail	Commercial
	FNB							
	Retail							
Net interest income before impairment of advances	4 516	2 232	2 693	2 720	5 413	6 914	**19 075**	9 602
Impairment charge	(149)	(599)	(793)	(1 171)	(1 964)	(1 171)	**(3 883)**	(670)
Net interest income after impairment of advances	4 367	1 633	1 900	1 549	3 449	5 743	**15 192**	8 932
Non-interest revenue	582	1 485	814	1 225	2 039	12 697	**16 803**	7 649
Income from operations	4 949	3 118	2 714	2 774	5 488	18 440	**31 995**	16 581
Operating expenses	(1 822)	(1 630)	(943)	(1 349)	(2 292)	(12 113)	**(17 857)**	(8 615)
Net income from operations	3 127	1 488	1 771	1 425	3 196	6 327	**14 138**	7 966
Share of profit of associates and joint ventures after tax	–	–	–	108	108	11	**119**	6
Income before indirect tax	3 127	1 488	1 771	1 533	3 304	6 338	**14 257**	7 972
Indirect tax	(11)	(41)	(17)	(60)	(77)	(389)	**(518)**	(42)
Profit before tax	3 116	1 447	1 754	1 473	3 227	5 949	**13 739**	7 930
Income tax expense	(873)	(405)	(491)	(420)	(911)	(1 668)	**(3 857)**	(2 220)
Profit for the year	2 243	1 042	1 263	1 053	2 316	4 281	**9 882**	5 710
Attributable to								
Ordinary equityholders	2 243	1 042	1 263	1 053	2 316	4 281	**9 882**	5 710
NCNR preference shareholders and contingent convertible securities	–	–	–	–	–	–	**–**	–
Non-controlling interests	–	–	–		–	–	**–**	–
Profit for the year	2 243	1 042	1 263	1 053	2 316	4 281	**9 882**	5 710
Earnings attributable to ordinary shareholders	2 243	1 042	1 263	1 053	2 316	4 281	**9 882**	5 710
Headline earnings adjustments	–	–	–	–	–	–	**–**	–
Headline earnings	2 243	1 042	1 263	1 053	2 316	4 281	**9 882**	5 710
TRS and IFRS 2 liability remeasurement	–	–	–	–	–	–	**–**	–
Treasury shares	–	–	–	–	–	–	**–**	–
IAS 19 adjustment	–	–	–	–	–	–	**–**	–
Private equity-related	–	–	–	–	–	–	**–**	–
Normalised earnings‡	2 243	1 042	1 263	1 053	2 316	4 281	**9 882**	5 710

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

* *Refer to additional activity and business unit disclosure on page 42.*

** *Refer to additional segmental disclosure on page 43.*

Refer to additional segmental disclosure on page 44.

† *FCC represents group-wide functions.*

‡ *Normalised earnings for FNB, RMB and WesBank exclude the return of capital in the rest of Africa, cost of preference shares and other capital and, therefore, differ from operating business normalised earnings reported on page 140.*

Notes:

The year ended 30 June 2018 information was restated for the following, due to an internal restructure:

- *Discovery card was reclassified from Card in FNB to FCC (including Group Treasury) and other;*
- *DirectAxis loans, previously referred to as WesBank loans, was reclassified from WesBank to FNB retail personal loans;*
- *WesBank Africa was reclassified from WesBank to FNB Africa; and*
- *MotoNovo was reclassified from WesBank to FCC (including Group Treasury) and other.*

The effect of these transfers can be found on pages 46 to 53.

		RMB								
FNB Africa	**Total FNB**	Investment banking	Corporate banking	**Total RMB***	**WesBank****	**Aldermore#**	FCC† (including Group Treasury) and other	**FirstRand group – normalised**	Normalised adjustments	**FirstRand group – IFRS**
3 728	**32 405**	4 570	2 465	**7 035**	**5 313**	**1 224**	5 277	**51 254**	(2 156)	**49 098**
(1 018)	**(5 571)**	(235)	(8)	**(243)**	**(1 992)**	**(46)**	(715)	**(8 567)**	–	**(8 567)**
2 710	**26 834**	4 335	2 457	**6 792**	**3 321**	**1 178**	4 562	**42 687**	(2 156)	**40 531**
3 682	**28 134**	8 860	2 352	**11 212**	**3 149**	**118**	(1 601)	**41 012**	3 181	**44 193**
6 392	**54 968**	13 195	4 809	**18 004**	**6 470**	**1 296**	2 961	**83 699**	1 025	**84 724**
(5 103)	**(31 575)**	(5 564)	(2 822)	**(8 386)**	**(4 081)**	**(706)**	(2 916)	**(47 664)**	(798)	**(48 462)**
1 289	**23 393**	7 631	1 987	**9 618**	**2 389**	**590**	45	**36 035**	227	**36 262**
1	**126**	901	–	**901**	**301**	**2**	(416)	**914**	(5)	**909**
1 290	**23 519**	8 532	1 987	**10 519**	**2 690**	**592**	(371)	**36 949**	222	**37 171**
(145)	**(705)**	(122)	(10)	**(132)**	**(47)**	**(43)**	(150)	**(1 077)**	–	**(1 077)**
1 145	**22 814**	8 410	1 977	**10 387**	**2 643**	**549**	(521)	**35 872**	222	**36 094**
(419)	**(6 496)**	(2 358)	(553)	**(2 911)**	**(743)**	**(158)**	2 443	**(7 865)**	(85)	**(7 950)**
726	**16 318**	6 052	1 424	**7 476**	**1 900**	**391**	1 922	**28 007**	137	**28 144**
273	**15 865**	6 037	1 316	**7 353**	**1 854**	**276**	1 063	**26 411**	135	**26 546**
–	**–**	–	–	**–**	**–**	**115**	351	**466**	–	**466**
453	**453**	15	108	**123**	**46**	**–**	508	**1 130**	2	**1 132**
726	**16 318**	6 052	1 424	**7 476**	**1 900**	**391**	1 922	**28 007**	137	**28 144**
273	**15 865**	6 037	1 316	**7 353**	**1 854**	**276**	1 063	**26 411**	135	**26 546**
–	**–**	–	–	**–**	**–**	**–**	–	**–**	(37)	**(37)**
273	**15 865**	6 037	1 316	**7 353**	**1 854**	**276**	1 063	**26 411**	98	**26 509**
–	**–**	–	–	**–**	**–**	**–**	–	**–**	(54)	**(54)**
–	**–**	–	–	**–**	**–**	**–**	–	**–**	18	**18**
–	**–**	–	–	**–**	**–**	**–**	–	**–**	(109)	**(109)**
–	**–**	–	–	**–**	**–**	**–**	–	**–**	47	**47**
273	**15 865**	6 037	1 316	**7 353**	**1 854**	**276**	1 063	**26 411**	–	**26 411**

Segment report continued

for the year ended 30 June 2018 IAS 39

	FNB							
	Retail							
R million	Residential mortgages	Card	FNB loans	DirectAxis loans	Total personal loans	Retail other	**Retail**	Commercial
Cost-to-income ratio (%)	35.7	43.9	26.9	33.3	30.3	61.7	**49.6**	49.9
Diversity ratio (%)	11.4	40.0	23.2	32.9	28.4	64.8	**47.0**	44.4
Credit loss ratio (%)	0.07	2.83	5.03	8.20	6.54	7.62	**1.46**	0.75
Stage 3/NPLs as a percentage of advances (%)‡	3.86	4.46	8.90	12.51	10.58	6.59	**4.85**	3.54
Consolidated income statement includes:								
Depreciation	(3)	(4)	(1)	(39)	(40)	(1 514)	**(1 561)**	(47)
Amortisation	–	(9)	–	(42)	(42)	(120)	**(171)**	–
Net impairment charges	–	–	–	–	–	(22)	**(22)**	(3)
Consolidated statement of financial position includes:								
Advances (before impairments)‡	205 630	22 805	17 200	14 985	32 185	15 904	**276 524**	94 558
– Normal advances‡	205 630	22 805	17 200	14 985	32 185	15 904	**276 524**	94 558
– Securitised advances‡	–	–	–	–	–	–	**–**	–
Stage 3/NPLs‡	7 934	1 018	1 531	1 874	3 405	1 048	**13 405**	3 350
Investment in associated companies‡	–	–	–	313	313	238	**551**	–
Investment in joint ventures‡	–	–	–	–	–	–	**–**	–
Total deposits (including non-recourse deposits)‡	543	1 347	8	–	8	224 977	**226 875**	207 388
Total assets‡	203 392	21 307	14 873	14 125	28 998	37 344	**291 041**	94 607
Total liabilities‡,^	202 501	21 240	14 694	13 695	28 389	25 396	**277 526**	91 334
Capital expenditure	8	17	2	96	98	1 839	**1 962**	56

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

* *Refer to additional activity and business unit disclosure on page 42.*

** *Refer to additional segmental disclosure on page 43.*

\# *Refer to additional segmental disclosure on page 44.*

† *FCC represents group-wide functions.*

‡ *1 July 2018 IFRS 9.*

^ *Total liabilities are net of interdivisional balances.*

Notes:

The year ended 30 June 2018 information was restated for the following, due to an internal restructure:

- *Discovery card was reclassified from Card in FNB to FCC (including Group Treasury) and other;*
- *DirectAxis loans, previously referred to as WesBank loans, was reclassified from WesBank to FNB retail personal loans;*
- *WesBank Africa was reclassified from WesBank to FNB Africa; and*
- *MotoNovo was reclassified from WesBank to FCC (including Group Treasury) and other.*

The effect of these transfers can be found on pages 46 to 53.

		RMB								
FNB Africa	**Total FNB**	Investment banking	Corporate banking	**Total RMB***	**WesBank****	**Aldermore#**	FCC† (including Group Treasury) and other	**FirstRand group – normalised**	Normalised adjustments	**FirstRand group – IFRS**
68.9	**52.0**	38.8	58.6	**43.8**	**46.6**	**52.5**	(>100)	**51.2**	–	**51.4**
49.7	**46.6**	68.1	48.8	**63.3**	**39.4**	**8.9**	>100	**45.0**	–	**47.9**
1.92	**1.36**	0.10	0.02	**0.08**	**1.47**	**0.12**	0.65	**0.84**	–	**0.84**
7.18	**4.85**	1.00	0.52	**0.92**	**5.31**	**1.05**	0.99	**2.93**	–	**2.93**
(297)	**(1 905)**	(135)	(10)	**(145)**	**(643)**	**(6)**	(131)	**(2 830)**	–	**(2 830)**
(28)	**(199)**	(40)	–	**(40)**	**(5)**	**(10)**	(108)	**(362)**	–	**(362)**
–	**(25)**	–	(11)	**(11)**	**(13)**	**–**	–	**(49)**	(61)	**(110)**
53 765	**424 847**	245 475	49 858	**295 333**	**137 048**	**163 876**	121 372	**1 142 476**	–	**1 142 476**
53 765	**424 847**	245 475	49 858	**295 333**	**126 353**	**162 001**	85 501	**1 094 035**	–	**1 094 035**
–	**–**	–	–	**–**	**10 695**	**1 875**	35 871	**48 441**	–	**48 441**
3 859	**20 614**	2 447	257	**2 704**	**7 271**	**1 724**	1 201	**33 514**	–	**33 514**
9	**560**	2 653	–	**2 653**	**1 973**	**92**	65	**5 343**	–	**5 343**
–	**–**	1 693	–	**1 693**	**3**	**–**	(16)	**1 680**	46	**1 726**
38 546	**472 809**	81 756	133 018	**214 774**	**50**	**173 178**	407 433	**1 268 244**	–	**1 268 244**
56 998	**442 646**	399 590	53 551	**453 141**	**140 734**	**189 734**	301 337	**1 527 592**	(21)	**1 527 571**
57 624	**426 484**	390 483	52 372	**442 855**	**139 713**	**176 100**	217 204	**1 402 356**	–	**1 402 356**
231	**2 249**	341	31	**372**	**1 400**	**1**	120	**4 142**	–	**4 142**

Additional activity and business unit disclosure – RMB

	Six months ended 31 December 2018 IFRS 9						
R million	IB&A	C&TB	M&S	INV	IM	Other	Total
Normalised PBT							
Global Markets	–	–	872	–	5	(121)*	756
Investment Banking Division	2 250	–	4	52	31	–	2 337
Private Equity	–	–	–	419	–	–	419
Other RMB	–	–	(23)	–	–	123	100
Investment banking	2 250	–	853	471	36	2	3 612
Corporate banking	–	1 113	–	–	–	–	1 113
Total RMB	2 250	1 113	853	471	36	2	4 725

	Six months ended 31 December 2017 IAS 39**						
R million	IB&A	C&TB	M&S	INV	IM	Other	Total
Normalised PBT							
Global Markets	–	–	771	–	3	(52)*	722
Investment Banking Division	1 992	–	16	67	23	–	2 098
Private Equity	–	–	–	528	–	–	528
Other RMB	–	–	–	–	–	111	111
Investment banking	1 992	–	787	595	26	59	3 459
Corporate banking	–	1 012	–	–	–	–	1 012
Total RMB	1 992	1 012	787	595	26	59	4 471

	Year ended 30 June 2018 IAS 39**						
R million	IB&A	C&TB	M&S	INV	IM	Other	Total
Normalised PBT							
Global Markets	–	–	1 634	12	7	(186)*	1 467
Investment Banking Division	4 537	–	28	115	50	–	4 730
Private Equity	–	–	–	2 389	–	–	2 389
Other RMB	225	–	(46)	–	–	(355)	(176)
Investment banking	4 762	–	1 616	2 516	57	(541)	8 410
Corporate banking	–	1 977	–	–	–	–	1 977
Total RMB	4 762	1 977	1 616	2 516	57	(541)	10 387

* *Includes investment in global markets' infrastructure programme*

** *To improve peer comparability, core activities now include the associated endowment earned on capital invested net of group allocations. Comparatives have been restated accordingly.*

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

R million	Six months ended 31 December 2018 IFRS 9 Retail	Corporate and commercial	Total WesBank
NII before impairment of advances	**2 344**	**285**	**2 629**
Impairment of advances	**(778)**	**(78)**	**(856)**
Normalised profit before tax	**1 171**	**190**	**1 361**
Normalised earnings	**820**	**137**	**957**
Advances	**105 684**	**30 226**	**135 910**
Stage 3/NPLs	**7 099**	**471**	**7 570**
Advances margin (%)	**3.61**	**2.21**	**3.30**
Stage 3/NPLs as a % of advances (%)	**6.72**	**1.56**	**5.57**
Credit loss ratio (%)	**1.48**	**0.50**	**1.25**

R million	Six months ended 31 December 2017 IAS 39 Retail	Corporate and commercial	Total WesBank
NII before impairment of advances	2 358	287	2 645
Impairment of advances	(925)	(18)	(943)
Normalised profit before tax	1 155	198	1 353
Normalised earnings	809	143	952
Advances	103 789	29 768	133 557
Stage 3/NPLs	6 104	240	6 344
Advances margin (%)	3.75	2.16	3.41
Stage 3/NPLs as a % of advances (%)	5.88	0.81	4.75
Credit loss ratio (%)	1.80	0.12	1.41

R million	Year ended 30 June 2018 IAS 39 Retail	Corporate and commercial	Total WesBank
NII before impairment of advances	4 704	609	5 313
Impairment of advances	(1 944)	(48)	(1 992)
Normalised profit before tax	2 235	408	2 643
Normalised earnings	1 560	294	1 854
Advances*	104 884	32 164	137 048
Stage 3/NPLs*	6 877	394	7 271
Advances margin (%)	3.69	2.18	3.31
Stage 3/NPLs as a % of advances (%)*	6.56	1.22	5.31
Credit loss ratio (%)	1.88	0.15	1.47

* 1 July 2018 IFRS 9.

Additional segmental disclosure – Aldermore

	Six months ended 31 December 2018 IFRS 9						
R million	**Asset finance**	**Invoice finance**	**SME commercial mortgages**	**Buy-to-let mortgages**	**Residential mortgages**	**Central functions**	**Total Aldermore**
NII before impairment of advances	**704**	**178**	**444**	**1 196**	**396**	**7**	**2 925**
Impairment of advances	**(119)**	**(9)**	**(24)**	**(30)**	**(10)**	**–**	**(192)**
Normalised profit before tax	**461**	**119**	**378**	**1 075**	**337**	**(1 001)**	**1 369**
Normalised earnings	**461**	**119**	**378**	**1 075**	**337**	**(1 333)***	**1 037**
Advances	**35 317**	**5 890**	**17 542**	**85 044**	**29 022**	**–**	**172 815**
Stage 3/NPLs	**350**	**134**	**231**	**490**	**557**	**–**	**1 762**
Advances margin (%)	**4.07**	**6.59**	**5.03**	**2.87**	**2.82**	**–**	**3.43**
Stage 3/NPLs as a % of advances (%)	**0.99**	**2.28**	**1.32**	**0.58**	**1.92**	**–**	**1.02**
Credit loss ratio (%)	**0.69**	**0.33**	**0.27**	**0.07**	**0.07**	**–**	**0.23**

* *Tax expense reflected in central functions.*

	Six months ended 31 December 2018 IFRS 9						
£ million	**Asset finance**	**Invoice finance**	**SME commercial mortgages**	**Buy-to-let mortgages**	**Residential mortgages**	**Central functions**	**Total Aldermore**
NII before impairment of advances	**38**	**10**	**24**	**65**	**22**	**–**	**159**
Impairment of advances	**(7)**	**–**	**(1)**	**(2)**	**(1)**	**–**	**(11)**
Normalised profit before tax	**25**	**7**	**21**	**59**	**18**	**(55)**	**75**
Normalised earnings	**25**	**7**	**21**	**59**	**18**	**(73)***	**57**
Advances	**1 928**	**321**	**957**	**4 642**	**1 584**	**–**	**9 432**
Stage 3/NPLs	**19**	**7**	**13**	**27**	**30**	**–**	**96**
Advances margin (%)	**4.07**	**6.59**	**5.03**	**2.87**	**2.82**	**–**	**3.43**
Stage 3/NPLs as a % of advances (%)	**0.99**	**2.28**	**1.32**	**0.58**	**1.92**	**–**	**1.02**
Credit loss ratio (%)	**0.69**	**0.33**	**0.27**	**0.07**	**0.07**	**–**	**0.23**

* *Tax expense reflected in central functions.*

	Three months ended 30 June 2018 IAS 39*						
R million	Asset finance	Invoice finance	SME commercial mortgages	Buy-to-let mortgages	Residential mortgages	Central functions	Total Aldermore
NII before impairment of advances	305	38	190	487	182	22	1 224
Impairment of advances	(39)	6	–	(8)	(5)	–	(46)
Normalised profit before tax	220	54	160	433	154	(472)	549
Normalised earnings	220	54	160	433	154	(745)**	276
Advances#	33 632	4 879	17 631	80 756	26 978	–	163 876
Stage 3/NPLs#	285	146	335	485	473	–	1 724
Advances margin (%)	3.83	3.31	4.55	2.54	2.83	–	3.15
Stage 3/NPLs as a % of advances (%)#	0.85	2.99	1.90	0.60	1.75	–	1.05
Credit loss ratio (%)	0.49	(0.52)	–	0.04	0.08	–	0.12

* *Aldermore acquisition date 1 April 2018.*

** *Tax expense reflected in central functions.*

\# *1 July 2018 IFRS 9.*

£ million	Three months ended 30 June 2018 IAS 39*						
	Asset finance	Invoice finance	SME commercial mortgages	Buy-to-let mortgages	Residential mortgages	Central functions	Total Aldermore
NII before impairment of advances	18	2	11	28	11	1	71
Impairment of advances	(2)	–	–	(1)	–	–	(3)
Normalised profit before tax	13	3	9	25	9	(27)	32
Normalised earnings	13	3	9	25	9	(43)**	16
Advances#	1 850	269	970	4 443	1 484	–	9 016
Stage 3/NPLs#	16	8	18	27	26	–	95
Advances margin (%)	3.83	3.31	4.55	2.54	2.83	–	3.15
Stage 3/NPLs as a % of advances (%)#	0.85	2.99	1.90	0.60	1.75	–	1.05
Credit loss ratio (%)	0.49	(0.52)	–	0.04	0.08	–	0.12

* *Aldermore acquisition date 1 April 2018.*
** *Tax expense reflected in central functions.*
\# *1 July 2018 IFRS 9.*

Additional segmental disclosure – MotoNovo

R million	Six months ended 31 December			Year ended 30 June
	2018 IFRS 9	2017 IAS 39	% change	2018 IAS 39
NII before impairment of advances	**1 483**	1 498	(1)	2 848
Impairment of advances	**(447)**	(444)	1	(876)
Normalised profit before tax	**377**	600	(37)	1 019
Normalised earnings	**271**	432	(37)	734
Advances	**60 366**	54 713	10	61 384*
– Normal advances	**25 854**	31 006	(17)	25 513*
– Securitised advances	**34 512**	23 707	46	35 871*
Stage 3/NPLs	**1 129**	409	>100	1 060*
Advances margin (%)	**4.79**	5.53		5.38
Stage 3/NPLs as a % of advances (%)	**1.87**	0.75		1.73*
Credit loss ratio (%)	**1.47**	1.64		1.53

* *1 July 2018 IFRS 9.*

Additional information on the internal restructure

for the six months ended 31 December 2017 IAS 39

	FNB							RMB			
R million	**Total FNB previously published**	Discovery card	DirectAxis loans	WesBank Africa	Africa net endowment from GTSY	Reallocated intercompany eliminations	**Total FNB after reallocation**	**Total RMB previously published**	Africa net endowment from GTSY	Reallocation of India IT support services	**Total RMB after reallocation**
Net interest income before impairment of advances	**14 287**	(205)	1 323	155	198	–	**15 758**	**3 368**	63	–	**3 431**
Impairment charge	**(2 224)**	32	(527)	(27)	–	–	**(2 746)**	**–**	–	–	**–**
Net interest income after impairment of advances	**12 063**	(173)	796	128	198	–	**13 012**	**3 368**	63	–	**3 431**
Non-interest revenue	**13 779**	(274)	597	17	–	(118)	**14 001**	**4 662**	–	(50)	**4 612**
Income from operations	**25 842**	(447)	1 393	145	198	(118)	**27 013**	**8 030**	63	(50)	**8 043**
Operating expenses	**(15 042)**	267	(677)	(127)	(75)	118	**(15 536)**	**(3 959)**	(35)	43	**(3 951)**
Net income from operations	**10 800**	(180)	716	18	123	–	**11 477**	**4 071**	28	(7)	**4 092**
Share of profit of associates and joint ventures after tax	**8**	–	56	–	–	–	**64**	**452**	–	–	**452**
Income before tax	**10 808**	(180)	772	18	123	–	**11 541**	**4 523**	28	(7)	**4 544**
Indirect tax	**(378)**	12	(41)	3	–	–	**(404)**	**(73)**	–	–	**(73)**
Profit before tax	**10 430**	(168)	731	21	123	–	**11 137**	**4 450**	28	(7)	**4 471**
Income tax expense	**(3 027)**	56	(205)	(6)	(34)	–	**(3 216)**	**(1 248)**	(8)	2	**(1 254)**
Profit for the period	**7 403**	(112)	526	15	89	–	**7 921**	**3 202**	20	(5)	**3 217**
Attributable to											
Ordinary equityholders	**7 160**	(112)	526	5	89	–	**7 668**	**3 139**	20	(5)	**3 154**
NCNR preference shareholders and contingent convertable securities	**–**	–	–	–	–	–	**–**	**–**	–	–	**–**
Non-controlling interests	**243**	–	–	10	–	–	**253**	**63**	–	–	**63**
Profit for the year	**7 403**	(112)	526	15	89	–	**7 921**	**3 202**	20	(5)	**3 217**
Earnings attributable to ordinary shareholders	**7 160**	(112)	526	5	89	–	**7 668**	**3 139**	20	(5)	**3 154**
Headline earnings adjustments	**–**	–	–	–	–	–	**–**	**–**	–	–	**–**
Headline earnings	**7 160**	(112)	526	5	89	–	**7 668**	**3 139**	20	(5)	**3 154**
TRS and IFRS 2 liability remeasurement	**–**	–	–	–	–	–	**–**	**–**	–	–	**–**
Treasury shares	**–**	–	–	–	–	–	**–**	**–**	–	–	**–**
IAS 19 adjustment	**–**	–	–	–	–	–	**–**	**–**	–	–	**–**
Private equity-related	**–**	–	–	–	–	–	**–**	**–**	–	–	**–**
Normalised earnings	**7 160**	(112)	526	5	89	–	**7 668**	**3 139**	20	(5)	**3 154**

WesBank					FCC (including Group Treasury) and other							
Total WesBank previously published	MotoNovo retail	DirectAxis loans	WesBank Africa	**Total WesBank after reallocation**	**Total FCC previously published**	Discovery card	MotoNovo retail	Africa net endowment to RMB	Reallocation of India IT support services	Africa net endowment to FNB	Reallocated intercompany eliminations	**Total FCC after reallocation**
5 621	(1 498)	(1 323)	(155)	2 645	1 289	205	1 498	(63)	–	(198)	–	2 731
(1 941)	444	527	27	(943)	113	(32)	(444)	–	–	–	–	(363)
3 680	(1 054)	(796)	(128)	1 702	1 402	173	1 054	(63)	–	(198)	–	2 368
2 277	(138)	(597)	(17)	1 525	(1 204)	274	138	–	50	–	118	(624)
5 957	(1 192)	(1 393)	(145)	3 227	198	447	1 192	(63)	50	(198)	118	1 744
(3 373)	571	677	127	(1 998)	(659)	(267)	(571)	35	(43)	75	(118)	(1 548)
2 584	(621)	(716)	(18)	1 229	(461)	180	621	(28)	7	(123)	–	196
211	–	(56)	–	155	(183)	–	–	–	–	–	–	(183)
2 795	(621)	(772)	(18)	1 384	(644)	180	621	(28)	7	(123)	–	13
(90)	21	41	(3)	(31)	63	(12)	(21)	–	–	–	–	30
2 705	(600)	(731)	(21)	1 353	(581)	168	600	(28)	7	(123)	–	43
(757)	168	205	6	(378)	1 138	(56)	(168)	8	(2)	34	–	954
1 948	(432)	(526)	(15)	975	557	112	432	(20)	5	(89)	–	997
1 915	(432)	(526)	(5)	952	247	112	432	(20)	5	(89)	–	687
–	–	–	–	–	177	–	–	–	–	–	–	177
33	–	–	(10)	23	133	–	–	–	–	–	–	133
1 948	(432)	(526)	(15)	975	557	112	432	(20)	5	(89)	–	997
1 915	(432)	(526)	(5)	952	247	112	432	(20)	5	(89)	–	687
–	–	–	–	–	–	–	–	–	–	–	–	–
1 915	(432)	(526)	(5)	952	247	112	432	(20)	5	(89)	–	687
–	–	–	–	–	–	–	–	–	–	–	–	–
–	–	–	–	–	–	–	–	–	–	–	–	–
–	–	–	–	–	–	–	–	–	–	–	–	–
–	–	–	–	–	–	–	–	–	–	–	–	–
1 915	(432)	(526)	(5)	952	247	112	432	(20)	5	(89)	–	687

Additional information on the internal restructure continued

for the six months ended 31 December 2017 IAS 39

R million	FNB							RMB			
	Total FNB previously published	Discovery card	DirectAxis loans	WesBank Africa	Africa net endowment from GTSY	Reallocated intercompany elimination	**Total FNB after reallocation**	**Total RMB previously published**	Africa net endowment from GTSY	Reallocation of India IT support services	**Total RMB after reallocation**
Cost-to-income ratio (%)	**53.6**						**52.1**	**46.7**			**46.5**
Diversity ratio (%)	**49.1**						**47.2**	**60.3**			**59.6**
Credit loss ratio (%)	**1.17**						**1.38**	**–**			**–**
Stage 3/NPLs as a percentage of advances (%)	**3.21**						**3.50**	**0.35**			**0.35**
Consolidated income statement includes											
Depreciation	**(917)**	–	(18)	(1)	–	–	**(936)**	**(80)**	–	–	**(80)**
Amortisation	**(58)**	–	(19)	–	–	–	**(77)**	**(20)**	–	–	**(20)**
Net impairment charges	**(15)**	–	–	–	–	–	**(15)**	**(5)**	–	–	**(5)**
Consolidated statement of financial position includes											
Advances (before impairments)	**385 068**	(4 258)	14 369	7 784	–	–	**402 963**	**290 812**	–	–	**290 812**
– Normal advances(AC and FV)	**385 068**	(4 258)	14 369	7 784	–	–	**402 963**	**290 812**	–	–	**290 812**
– Securitised advances	**–**	–	–	–	–	–	**–**	**–**	–	–	**–**
Stage 3/NPLs	**12 356**	(126)	1 595	268	–	–	**14 093**	**1 010**	–	–	**1 010**
Investment in associated companies	**246**	–	342	–	–	–	**588**	**2 487**	–	–	**2 487**
Investment in joint ventures	**15**	–	–	–	–	–	**15**	**1 883**	–	–	**1 883**
Total deposits (including non-recourse deposits)	**462 837**	(293)	–	–	–	–	**462 544**	**225 047**	–	–	**225 047**
Total assets	**413 097**	(4 125)	14 716	7 721	–	–	**431 409**	**460 844**	–	–	**460 844**
Total liabilities	**402 329**	(4 037)	13 370	7 697	–	–	**419 359**	**451 128**	–	–	**451 128**
Capital expenditure	**1 103**	–	20	–	–	–	**1 123**	**81**	–	–	**81**

WesBank					FCC (including Group Treasury) and other							
Total WesBank previously published	MotoNovo retail	DirectAxis loans	WesBank Africa	**Total WesBank after reallocation**	**Total FCC previously published**	Discovery card	MotoNovo retail	Africa net endowment to RMB	Reallocation of India IT support services	Africa net endowment to FNB	Reallocated intercompany elimination	**Total FCC after reallocation**
41.6				**46.2**	**(>100)**							**(>100)**
30.7				**38.8**	**>100**							**>100**
1.85				**1.41**	**(0.02)**							**0.67**
4.09				**4.75**	**–**							**0.45**
(350)	21	18	1	**(310)**	**(13)**	–	(21)	–	–	–	–	**(34)**
(22)	–	19	–	**(3)**	**(3)**	–	–	–	–	–	–	**(3)**
–	–	–	–	**–**	**(1)**	–	–	–	–	–	–	**(1)**
210 423	(54 713)	(14 369)	(7 784)	**133 557**	**58 705**	4 258	54 713	–	–	–	–	**117 676**
186 359	(37 369)	(14 369)	(7 784)	**126 837**	**58 705**	4 258	37 369	–	–	–	(6 363)	**93 969**
24 064	(17 344)	–	–	**6 720**	**–**	–	17 344	–	–	–	6 363	**23 707**
8 616	(409)	(1 595)	(268)	**6 344**	**–**	126	409	–	–	–	–	**535**
2 405	–	(342)	–	**2 063**	**588**	–	–	–	–	–	–	**588**
9	–	–	–	**9**	**(17)**	–	–	–	–	–	–	**(17)**
45	–	–	–	**45**	**352 113**	293	–	–	–	–	–	**352 406**
216 648	(55 276)	(14 716)	(7 721)	**138 935**	**201 135**	4 125	55 276	–	–	–	–	**260 536**
212 567	(53 465)	(13 370)	(7 697)	**138 035**	**104 352**	4 037	53 465	–	–	–	–	**161 854**
838	(10)	(20)	–	**808**	**5**	–	10	–	–	–	–	**15**

Additional information on the internal restructure continued

for the year ended 30 June 2018 IAS 39

	FNB						RMB			
R million	**Total FNB previously published**	Discovery card	DirectAxis loans	WesBank Africa	Africa net endowment from GTSY	**Total FNB after reallocation**	**Total RMB previously published**	Africa net endowment from GTSY	Reallocation of India IT support services	**Total RMB after reallocation**
Net interest income before impairment of advances	**29 393**	(409)	2 720	312	389	**32 405**	**6 915**	120	–	**7 035**
Impairment charge	**(4 356)**	71	(1 171)	(115)	–	**(5 571)**	**(243)**	–	–	**(243)**
Net interest income after impairment of advances	**25 037**	(338)	1 549	197	389	**26 834**	**6 672**	120	–	**6 792**
Non-interest revenue	**27 418**	(553)	1 225	44	–	**28 134**	**11 326**	–	(114)	**11 212**
Income from operations	**52 455**	(891)	2 774	241	389	**54 968**	**17 998**	120	(114)	**18 004**
Operating expenses	**(30 381)**	561	(1 349)	(252)	(154)	**(31 575)**	**(8 417)**	(67)	98	**(8 386)**
Net income from operations	**22 074**	(330)	1 425	(11)	235	**23 393**	**9 581**	53	(16)	**9 618**
Share of profit of associates and joint ventures after tax	**18**	–	108	–	–	**126**	**901**	–	–	**901**
Income before tax	**22 092**	(330)	1 533	(11)	235	**23 519**	**10 482**	53	(16)	**10 519**
Indirect tax	**(676)**	25	(60)	6	–	**(705)**	**(132)**	–	–	**(132)**
Profit before tax	**21 416**	(305)	1 473	(5)	235	**22 814**	**10 350**	53	(16)	**10 387**
Income tax expense	**(6 097)**	85	(420)	1	(65)	**(6 496)**	**(2 900)**	(15)	4	**(2 911)**
Profit for the period	**15 319**	(220)	1 053	(4)	170	**16 318**	**7 450**	38	(12)	**7 476**
Attributable to										
Ordinary equityholders	**14 877**	(220)	1 053	(15)	170	**15 865**	**7 327**	38	(12)	**7 353**
NCNR preference shareholders and contingent convertable securities	**–**	–	–	–	–	**–**	**–**	–	–	**–**
Non-controlling interests	**442**	–	–	11	–	**453**	**123**	–	–	**123**
Profit for the year	**15 319**	(220)	1 053	(4)	170	**16 318**	**7 450**	38	(12)	**7 476**
Earnings attributable to ordinary shareholders	**14 877**	(220)	1 053	(15)	170	**15 865**	**7 327**	38	(12)	**7 353**
Headline earnings adjustments	**–**	–	–	–	–	**–**	**–**	–	–	**–**
Headline earnings	**14 877**	(220)	1 053	(15)	170	**15 865**	**7 327**	38	(12)	**7 353**
TRS and IFRS 2 liability remeasurement	**–**	–	–	–	–	**–**	**–**	–	–	**–**
Treasury shares	**–**	–	–	–	–	**–**	**–**	–	–	**–**
IAS 19 adjustment	**–**	–	–	–	–	**–**	**–**	–	–	**–**
Private equity-related	**–**	–	–	–	–	**–**	**–**	–	–	**–**
Normalised earnings	**14 877**	(220)	1 053	(15)	170	**15 865**	**7 327**	38	(12)	**7 353**

WesBank					FCC (including Group Treasury) and other						
Total WesBank previously published	MotoNovo retail	DirectAxis loans	WesBank Africa	**Total WesBank after reallocation**	**Total FCC previously published**	Discovery card	MotoNovo retail	Africa net endowment to RMB	Reallocation of India IT support services	Africa net endowment to FNB	**Total FCC after reallocation**
11 193	(2 848)	(2 720)	(312)	**5 313**	**2 529**	409	2 848	(120)	–	(389)	**5 277**
(4 154)	876	1 171	115	**(1 992)**	**232**	(71)	(876)	–	–	–	**(715)**
7 039	(1 972)	(1 549)	(197)	**3 321**	**2 761**	338	1 972	(120)	–	(389)	**4 562**
4 734	(316)	(1 225)	(44)	**3 149**	**(2 584)**	553	316	–	114	–	**(1 601)**
11 773	(2 288)	(2 774)	(241)	**6 470**	**177**	891	2 288	(120)	114	(389)	**2 961**
(6 895)	1 213	1 349	252	**(4 081)**	**(1 265)**	(561)	(1 213)	67	(98)	154	**(2 916)**
4 878	(1 075)	(1 425)	11	**2 389**	**(1 088)**	330	1 075	(53)	16	(235)	**45**
409	–	(108)	–	**301**	**(416)**	–	–	–	–	–	**(416)**
5 287	(1 075)	(1 533)	11	**2 690**	**(1 504)**	330	1 075	(53)	16	(235)	**(371)**
(157)	56	60	(6)	**(47)**	**(69)**	(25)	(56)	–	–	–	**(150)**
5 130	(1 019)	(1 473)	5	**2 643**	**(1 573)**	305	1 019	(53)	16	(235)	**(521)**
(1 447)	285	420	(1)	**(743)**	**2 737**	(85)	(285)	15	(4)	65	**2 443**
3 683	(734)	(1 053)	4	**1 900**	**1 164**	220	734	(38)	12	(170)	**1 922**
3 626	(734)	(1 053)	15	**1 854**	**305**	220	734	(38)	12	(170)	**1 063**
–	–	–	–	**–**	**351**	–	–	–	–	–	**351**
57	–	–	(11)	**46**	**508**	–	–	–	–	–	**508**
3 683	(734)	(1 053)	4	**1 900**	**1 164**	220	734	(38)	12	(170)	**1 922**
3 626	(734)	(1 053)	15	**1 854**	**305**	220	734	(38)	12	(170)	**1 063**
–	–	–	–	**–**	**–**	–	–	–	–	–	**–**
3 626	(734)	(1 053)	15	**1 854**	**305**	220	734	(38)	12	(170)	**1 063**
–	–	–	–	**–**	**–**	–	–	–	–	–	**–**
–	–	–	–	**–**	**–**	–	–	–	–	–	**–**
–	–	–	–	**–**	**–**	–	–	–	–	–	**–**
–	–	–	–	**–**	**–**	–	–	–	–	–	**–**
3 626	(734)	(1 053)	15	**1 854**	**305**	220	734	(38)	12	(170)	**1 063**

Additional information on the internal restructure continued

for the year ended 30 June 2018 IAS 39

	FNB						RMB			
R million	**Total FNB previously published**	Discovery card	DirectAxis loans	WesBank Africa	Africa net endowment from GTSY	**Total FNB after reallocation**	**Total RMB previously published**	Africa net endowment from GTSY	Reallocation of India IT support services	**Total RMB after reallocation**
Cost-to-income ratio (%)	**53.5**					**52.0**	**44.0**			**43.8**
Diversity ratio (%)	**48.3**					**46.6**	**63.9**			**63.3**
Credit loss ratio (%)	**1.11**					**1.36**	**0.08**			**0.08**
Stage 3/NPLs as a percentage of advances (%)*	**4.56**					**4.85**	**0.92**			**0.92**
Consolidated income statement includes										
Depreciation	**(1 865)**	–	(39)	(1)	–	**(1 905)**	**(145)**	–	–	**(145)**
Amortisation	**(157)**	–	(42)	–	–	**(199)**	**(40)**	–	–	**(40)**
Net impairment charges	**(25)**	–	–	–	–	**(25)**	**(11)**	–	–	**(11)**
Consolidated statement of financial position includes										
Advances (before impairments)*	**406 328**	(4 350)	14 985	7 884	–	**424 847**	**295 333**	–	–	**295 333**
– Normal advances*	**406 328**	(4 350)	14 985	7 884	–	**424 847**	**295 333**	–	–	**295 333**
– Securitised advances*	**–**	–	–	–	–	**–**	**–**	–	–	**–**
Stage 3/NPLs*	**18 525**	(141)	1 874	356	–	**20 614**	**2 704**	–	–	**2 704**
Investment in associated companies*	**247**	–	313	–	–	**560**	**2 653**	–	–	**2 653**
Investment in joint ventures*	**–**	–	–	–	–	**–**	**1 693**	–	–	**1 693**
Total deposits (including non-recourse deposits)*	**473 091**	(285)	–	3	–	**472 809**	**214 774**	–	–	**214 774**
Total assets*	**425 032**	(4 114)	14 125	7 603	–	**442 646**	**453 141**	–	–	**453 141**
Total liabilities*	**409 147**	(4 028)	13 695	7 670	–	**426 484**	**442 855**	–	–	**442 855**
Capital expenditure	**2 153**	–	96	–	–	**2 249**	**372**	–	–	**372**

* *1 July 2018 IFRS 9.*

WesBank					FCC (including Group Treasury) and other						
Total WesBank previously published	MotoNovo retail	DirectAxis loans	WesBank Africa	Total WesBank after reallocation	Total FCC previously published	Discovery card	MotoNovo retail	Africa net endowment to RMB	Reallocation of India IT support services	Africa net endowment to FNB	Total FCC after reallocation
42.2				46.6	(>100)						(>100)
31.5				39.4	>100						>100
1.93				1.47	(0.02)						0.65
4.77				5.31	–						0.99
(726)	43	39	1	(643)	(88)	–	(43)	–	–	–	(131)
(51)	4	42	–	(5)	(104)	–	(4)	–	–	–	(108)
(13)	–	–	–	(13)	–	–	–	–	–	–	–
221 301	(61 384)	(14 985)	(7 884)	137 048	55 638	4 350	61 384	–	–	–	121 372
174 735	(25 513)	(14 985)	(7 884)	126 353	55 638	4 350	25 513	–	–	–	85 501
46 566	(35 871)	–	–	10 695	–	–	35 871	–	–	–	35 871
10 561	(1 060)	(1 874)	(356)	7 271	–	141	1 060	–	–	–	1 201
2 286	–	(313)	–	1 973	65	–	–	–	–	–	65
3	–	–	–	3	(16)	–	–	–	–	–	(16)
53	–	–	(3)	50	407 148	285	–	–	–	–	407 433
225 238	(62 776)	(14 125)	(7 603)	140 734	234 447	4 114	62 776	–	–	–	301 337
222 022	(60 944)	(13 695)	(7 670)	139 713	152 232	4 028	60 944	–	–	–	217 204
1 593	(97)	(96)	–	1 400	23	–	97	–	–	–	120

Additional segmental disclosure – insurance activities

FNB

NUMBER OF POLICIES

Thousands	**Dec 18**	Dec 17	% change
Credit life	**2 386**	2 154	11
Funeral	**1 171**	1 111	5
Core life	**340**	198	72
Underwritten	**76**	31	>100
Total	**3 973**	3 494	14

IN-FORCE APE

R million	**Dec 18**	Dec 17	% change
Credit life	**1 646**	1 228	34
Funeral	**1 682**	1 324	27
Core life	**330**	206	60
Underwritten	**257**	102	>100
Total	**3 915**	2 860	37

VALUE OF NEW BUSINESS*

R million	**Dec 18**	Dec 17	% change
Credit life	**528**	404	31
Funeral	**285**	261	9
Core life	**62**	21	>100
Underwritten	**131**	87	51
Total	**1 006**	773	30

* *Defined as the present value of expected post-tax profits at point of sale for new business during the period.*

SALES CHANNELS (STANDALONE LIFE)

% of sales	**Dec 18**	Dec 17
Face-to-face	**72**	71
Call centres	**25**	24
Digital	**3**	5
Total	**100**	100

WESBANK

	MotoVantage (VAPS)			Motor (credit life)		
	Dec 18	Dec 17	% change	**Dec 18**	Dec 17	% change
Number of policies (thousands)	**970**	971	–	**110**	129	(14)
Gross written premium (R million)	**778**	782	(1)	**64**	68	(5)

VALUE-ADDED PRODUCTS AND SERVICES (VAPS) SALES CHANNELS

% of sales	**Dec 18**	Dec 17
Point-of-sale	**64**	69
Telesales	**25**	28
Other	**11**	3
Total	**100**	100

02 income statement analysis

58 – 87

Introduction

FirstRand acquired Aldermore effective 1 April 2018 and adopted IFRS 9 and IFRS 15 effective 1 July 2018.

The comparative financial information for the six months ended 31 December 2017 is presented on an IAS 39 and IAS 18 *Revenue* (IAS 18) basis, and excludes any financial impact relating to Aldermore. The comparative information in the income statement for the year ended 30 June 2018 is also presented based on IAS 39 and IAS 18, but includes three months' contribution from Aldermore. The 1 July 2018 statement of financial position was restated for the impact of IFRS 9 and IFRS 15 on 1 July 2018. Refer to pages 164 to 177 for more detailed information.

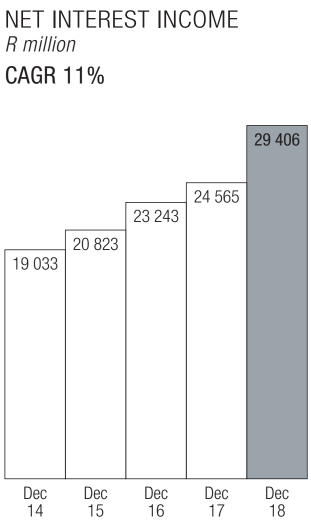
FirstRand disclosed comprehensive IFRS 9-related transitional information on 21 November 2018, in the group's *IFRS 9 financial instruments transition report* which is available on the group's website, www.firstrand.co.za. The IFRS 9 transition report was presented on an IFRS and not on a normalised basis.

Given the material impact of the adoption of IFRS 9 on the level of stage 3/NPL balances and balance sheet provisions, the majority of the period-on-period credit information e.g. NPL growth rates, is not comparable. As a result, all balance sheet related credit information analysis focuses on the changes between credit metrics on 1 July 2018 (restated IFRS 9) and 31 December 2018, unless stated otherwise.

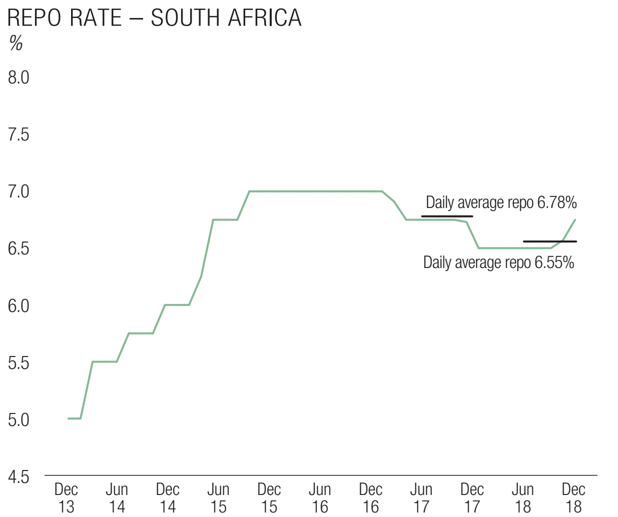
The analysis of financial results is presented on both an "including" and "excluding" Aldermore basis, where relevant – refer to page 44 for further information.

Net interest income (before impairment of advances)

NET INTEREST INCOME (BEFORE IMPAIRMENT OF ADVANCES) – UP 8% (UP 20% INCLUDING ALDERMORE)



Note: Figures for 31 December 2014 to 31 December 2017 are presented on an IAS 39 basis. The 31 December 2018 figure is presented on an IFRS 9 basis.



Note: R231 billion = average endowment book excluding Aldermore for the period (average Aldermore endowment book was R15 billion). Rates were lower by 23 bps on average in the current period, which translates into a negative endowment impact of R261 million (R234 million including Aldermore) for the period.

MARGIN CASCADE TABLE

Percentage of average interest-earning banking assets	%
December 2017 normalised margin	**5.28**
Capital and deposit endowment	**(0.01)**
– Volume	**0.03**
– Average rate	**(0.04)**
Interest earning assets	**(0.13)**
– Change in balance sheet advances mix	**(0.03)**
– Increase in HQLA	**(0.12)**
– Change in basis spreads (difference between prime and JIBAR))	**(0.02)**
– Asset pricing	**0.04**
Liabilities	**(0.07)**
– Change in deposit franchise composition	**–**
– Deposit pricing	**(0.07)**
Group Treasury and other movements	**0.09**
– Accounting mismatches (MTM vs accrual on term issuance)	**0.01**
– Term funding costs	**0.03**
– Interest rate and FX management	**0.05**
December 2018 normalised operating margin excluding Aldermore	**5.16**
Aldermore foregone interest relating to invested capital	**(0.14)**
December 2018 normalised margin excluding Aldermore	**5.02**
Impact of Aldermore on margin	**(0.32)**
December 2018 normalised margin including Aldermore	**4.70**

Net interest income (before impairment of advances) continued

ACTIVITY ANALYSIS OF NET INTEREST INCOME BEFORE IMPAIRMENT OF ADVANCES

	Six months ended 31 December			Year ended 30 June
R million	**2018 IFRS 9**	2017* IAS 39	% change	2018 IAS 39
Net interest income				
Lending	**11 756**	10 620	11	18 932
Transactional**	**8 184**	7 310	12	15 600
Deposits	**1 657**	1 528	8	3 071
Capital endowment	**3 186**	3 095	3	6 097
FNB Africa	**2 012**	1 894	6	3 728
Group Treasury	**(1 001)**	(99)	>100	3 027
Other (negative endowment, e.g. fixed assets)	**687**	217	>100	(425)
Total net interest income excluding Aldermore	**26 481**	24 565	8	50 030
Aldermore	**2 925**	–	–	1 224
Total net interest income including Aldermore	**29 406**	24 565	20	51 254

* *2017 numbers were restated in order to provide better attribution of NII by nature of activity.*

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

KEY DRIVERS

- NII growth was supported by:
  - gross advances and deposit growth, excluding Aldermore, of 9% and 11%, respectively; and
  - the inclusion of Aldermore's NII for the six months.
- The cumulative impact of the 25 bps cut in the repo rate on 29 March 2018 and the 25 bps increase in the repo rate on 23 November 2018 was a decrease of 23 bps in the average repo rate period-on-period. This resulted in a negative endowment impact on capital and deposits. This was offset by higher capital levels and deposit volumes.
- FNB's deposit margins decreased 14 bps, impacted by negative endowment and a change in mix, with strong growth in lower-margin deposit products, as well as increased competitive pressures. Overall NII was bolstered by strong growth in deposits, especially from cash investment products in the consumer and premium segments, Islamic banking and public sector deposits.
- Deposit margins in the rest of Africa were slightly down due to negative endowment and competitive pressures.
- FNB's advances margin increased 13 bps, benefiting from lower ISP under IFRS 9 and a reduction in average funding costs period-on-period.
- WesBank's SA VAF margins decreased 12 bps, impacted by the mix change in new business in the retail SA VAF book as well as increased competitive pressures.
- RMB's NII benefited from strong advances growth period-on-period, with margins supported by higher-yielding cross-border activities, the roll-off of lower-margin transactions and a change in transfer pricing in the second half of the 2018 financial year.
- Group Treasury NII was impacted by:
  - an increase in income from interest rate risk and foreign exchange management activities of approximately R250 million;
  - higher levels of interest on capital paid to the operating businesses of >R250 million;
  - the continued build-up of HQLA, with a resultant negative impact of >R600 million;
  - a decrease of R50 million (December 2017: R63 million decrease) in dollar funding carry costs given their effective deployment;
  - positive mark-to-market movements of c.R60 million (December 2017: c.R160 million positive 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 and have decreased significantly from the prior period following the reclassification of certain liabilities from fair value through profit or loss to amortised cost on adoption of IFRS 9; and
  - the foregone interest of ±R730 million on the capital deployed upon the acquisition of Aldermore on 1 April 2018.
- MotoNovo margins reduced 42 bps period-on-period, negatively impacted by elevated funding costs (due to an increase in UK base rates) as well as increased competitive pricing.
- Aldermore operational margins remained resilient, reflecting the muted impact of the increase in UK base rates and a more competitive landscape.

Net interest income (before impairment of advances) continued

AVERAGE BALANCE SHEET

R million	Notes	December 2018 IFRS 9 Average balance*	December 2018 IFRS 9 Interest income/ (expense)	December 2018 IFRS 9 Average rate %	December 2017 IAS 39 Average balance	December 2017 IAS 39 Interest income/ (expense)	December 2017 IAS 39 Average rate %
INTEREST-EARNING ASSETS							
Average prime rate (RSA)				**10.05**			10.28
Balances with central banks		**26 689**	**–**		24 411	–	–
Cash and cash equivalents		**34 198**	**840**	**4.87**	18 492	359	3.85
Liquid assets portfolio		**144 646**	**5 374**	**7.37**	106 333	4 101	7.65
Loans and advances to customers	1	**841 314**	**44 964**	**10.60**	774 545	41 683	10.68
Interest-earning assets		**1 046 847**	**51 178**	**9.70**	923 781	46 143	9.91
INTEREST-BEARING LIABILITIES							
Average JIBAR				**6.98**			7.15
Deposits due to customers	2	**(651 393)**	**(15 135)**	**4.61**	(586 548)	(13 798)	4.67
Group Treasury funding		**(400 848)**	**(13 524)**	**6.69**	(340 670)	(11 897)	6.93
Interest-bearing liabilities		**(1 052 241)**	**(28 659)**	**5.40**	(927 218)	(25 695)	5.50
ENDOWMENT AND TRADING BOOK							
Other assets**		**252 951**	**–**	**–**	249 762	–	–
Other liabilities#		**(125 740)**	**–**	**–**	(129 278)	–	–
NCNR preference shareholders		**(4 519)**	**–**	**–**	(4 519)	–	–
Equity		**(117 298)**	**–**	**–**	(112 528)	–	–
Endowment and trading book		**5 394**	**3 962**	**>100**	3 437	4 117	>100
Total interest-bearing liabilities, endowment and trading book		**(1 046 847)**	**(24 697)**	**4.68**	(923 781)	(21 578)	4.63
Net interest margin on average interest-earning assets		**1 046 847**	**26 481**	**5.02**	923 781	24 565	5.28
Net interest margin on average interest-earning assets – Aldermore		**195 705**	**2 925**	**2.96**			
Net interest margin on average interest-earning assets – including Aldermore		**1 242 552**	**29 406**	**4.70**	923 781	24 565	5.28

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

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

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

Includes trading liabilities.

NOTE 1 – MARGIN ANALYSIS ON ADVANCES TO CUSTOMERS

	December 2018 IFRS 9		December 2017 IAS 39*	
R million	**Average balance**	**Average margin %**	Average balance	Average margin %
Average prime rate (RSA)		**10.05**		10.28
ADVANCES				
Retail – secured	**373 272**	**2.84**	354 217	2.98
Residential mortgages	**207 412**	**1.82**	195 660	1.87
VAF	**165 860**	**4.13**	158 557	4.35
Retail – unsecured	**80 785**	**11.91**	70 191	11.83
Card	**28 614**	**8.12**	24 652	8.90
Personal loans	**35 324**	**16.40**	30 172	15.82
– FNB	**20 057**	**15.13**	16 317	13.92
– DirectAxis	**15 267**	**18.06**	13 855	18.05
Retail other	**16 847**	**8.95**	15 367	8.69
Corporate and commercial	**332 544**	**2.36**	297 215	2.24
FNB commercial	**93 657**	**3.57**	83 620	3.52
– Mortgages	**23 616**	**2.33**	20 293	2.43
– Overdrafts	**35 173**	**4.82**	31 042	4.56
– Term loans	**34 868**	**3.14**	32 285	3.21
WesBank corporate	**29 990**	**2.21**	28 312	2.16
RMB investment banking**	**154 866**	**1.94**	143 086	1.69
RMB corporate banking	**54 031**	**1.57**	42 197	1.58
FNB Africa	**54 713**	**3.73**	52 922	3.59
Total advances excluding Aldermore	**841 314**	**3.58**	774 545	3.54
Aldermore	**168 316**	**3.43#**		
Total advances including Aldermore	**1 009 630**	**3.55**	774 545	3.54

* *WesBank Africa advances were reallocated to FNB Africa.*

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

Aldermore advances margin is shown net of cost of funds.

Note: 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.

Margin analysis on advances and deposits to customers is based on net interest income as a percentage of average advances/deposits. Net interest income is calculated as the difference between the client rate (earned or paid) and the funds 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 128.

NOTE 2 – MARGIN ANALYSIS ON DEPOSITS DUE TO CUSTOMERS

	December 2018 IFRS 9		December 2017 IAS 39*	
R million	**Average balance**	**Average margin %**	Average balance	Average margin %
Average JIBAR (RSA)		**6.98**		7.15
DEPOSITS				
Retail	**215 916**	**2.34**	191 723	2.57
Current and savings	**63 419**	**5.82**	58 327	6.22
Call	**73 885**	**0.98**	59 181	1.11
Term	**78 612**	**0.79**	74 215	0.86
Commercial	**224 685**	**2.67**	206 741	2.71
Current and savings	**83 613**	**5.55**	74 004	5.79
Call	**73 827**	**1.46**	76 493	1.40
Term	**67 245**	**0.41**	56 244	0.44
Corporate and investment banking	**168 365**	**1.17**	149 060	1.16
Current and savings	**66 271**	**1.70**	66 859	1.69
Call	**61 843**	**0.95**	58 393	0.79
Term	**40 251**	**0.63**	23 808	0.62
FNB Africa	**42 427**	**3.73**	39 024	3.83
Total deposits excluding Aldermore	**651 393**	**2.24**	586 548	2.35
Aldermore	**177 744**	**–****		
Total deposits including Aldermore	**829 137**	**1.76**	586 548	2.35

** Restatements are due to refinements in FNB's processes.*

*** The net Aldermore margin is shown in the previous table.*

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

Credit highlights

CREDIT HIGHLIGHTS AT A GLANCE

INCLUDING ALDERMORE

		Six months ended 31 December		As at 1 July		Year ended 30 June
R million	Notes	**2018 IFRS 9**	2017 IAS 39	**2018 IFRS 9**	Dec 18 IFRS 9 vs 1 Jul 18 IFRS 9 % change	2018 IAS 39
Total gross advances*	1 on p. 94	**1 205 114**	945 008	**1 142 476**	5	1 140 482
Stage 3/NPLs*	2 on p. 98	**38 588**	21 982	**33 514**	15	26 947
Stage 3/NPLs as a % of advances	2 on p. 98	**3.20**	2.33	**2.93**		2.36
Impairment charge	3 on p. 104	**5 021**	4 052			8 567
Credit loss ratio (%)	3 on p. 104	**0.86**	0.87			0.84
Total impairments	4 on p. 110	**32 570**	17 276	**29 078**	12	19 255
Portfolio impairments	4 on p. 106	**14 696**	9 011	**14 735**	–	9 263
– Stage 1/IBNR		**7 333**	3 284	**6 988**	5	4 548
– Stage 2/PSI		**7 363**	5 727	**7 747**	(5)	4 715
Stage 3 impairments**		**17 874**	8 265	**14 343**	25	9 992
Specific coverage ratio (%)#	4 on p. 108	**46.3**	37.6	**42.8**		37.1
Total impairment coverage ratio (%)†	4 on p. 110	**84.4**	78.6	**86.8**		71.5
Performing book coverage ratio (%)‡		**1.26**	0.98	**1.33**		0.83

* *Total gross advances and stage 3/NPLs at 31 December 2018 include an IFRS 9 transitional ISP adjustment of R2 241 million.*

** *Stage 3 impairments at 31 December 2018 include an IFRS 9 transitional ISP adjustment of R1 645 million.*

\# *Specific impairments as a % of stage 3/NPLs.*

† *Total impairments as a % of stage 3/NPLs.*

‡ *Portfolio impairments as a % of the performing book.*

Credit highlights continued

EXCLUDING ALDERMORE

		Six months ended 31 December		As at 1 July		Year ended 30 June
R million	Notes	**2018 IFRS 9**	2017 IAS 39	**2018 IFRS 9**	Dec 18 IFRS 9 vs 1 Jul 18 IFRS 9 % change	2018 IAS 39
Total gross advances*	1 on p. 94	**1 032 299**	945 008	**978 600**	5	976 606
Stage 3/NPLs*	2 on p. 98	**36 826**	21 982	**31 790**	16	26 331
Stage 3/NPLs as a % of advances	2 on p. 98	**3.57**	2.33	**3.25**		2.70
Impairment charge	3 on p. 104	**4 829**	4 052			8 521
Credit loss ratio (%)	3 on p. 104	**0.96**	0.87			0.90
Total impairments	4 on p. 110	**31 794**	17 276	**28 441**	12	18 796
Portfolio impairments	4 on p. 106	**14 215**	9 011	**14 330**	(1)	8 945
– Stage 1/IBNR		**7 015**	3 284	**6 715**	4	4 230
– Stage 2/PSI		**7 200**	5 727	**7 615**	(5)	4 715
Stage 3 impairments**		**17 579**	8 265	**14 111**	25	9 851
Specific coverage ratio (%)#	4 on p. 108	**47.7**	37.6	**44.4**		37.4
Total impairment coverage ratio (%)†	4 on p. 110	**86.3**	78.6	**89.5**		71.4
Performing book coverage ratio (%)‡		**1.43**	0.98	**1.51**		0.94

* *Total gross advances and stage 3/NPLs at 31 December 2018 include an IFRS 9 transitional ISP adjustment of R2 241 million.*

** *Stage 3 impairments at 31 December 2018 include an IFRS 9 transitional ISP adjustment of R1 645 million.*

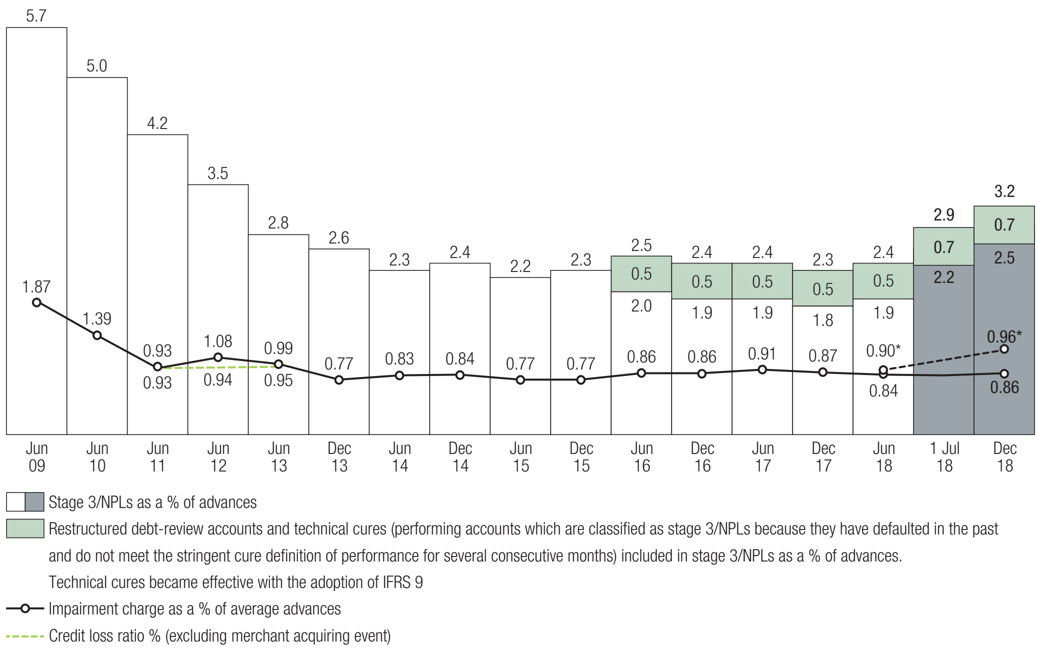
\# *Specific impairments as a % of stage 3/NPLs.*

† *Total impairments as a % of stage 3/NPLs.*

‡ *Portfolio impairments as a % of the performing book.*

NPL AND IMPAIRMENT HISTORY

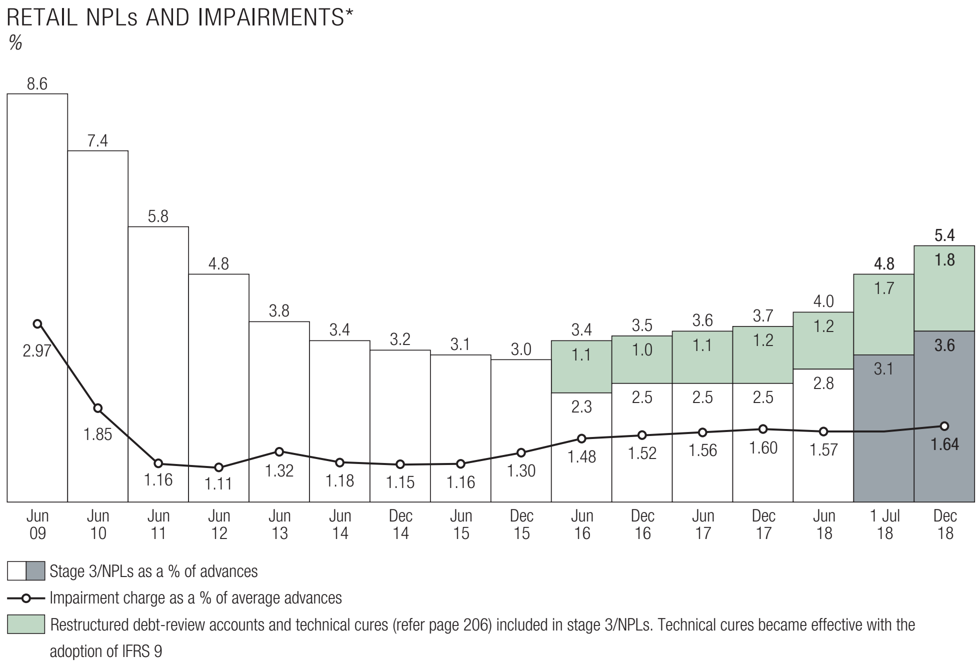
%



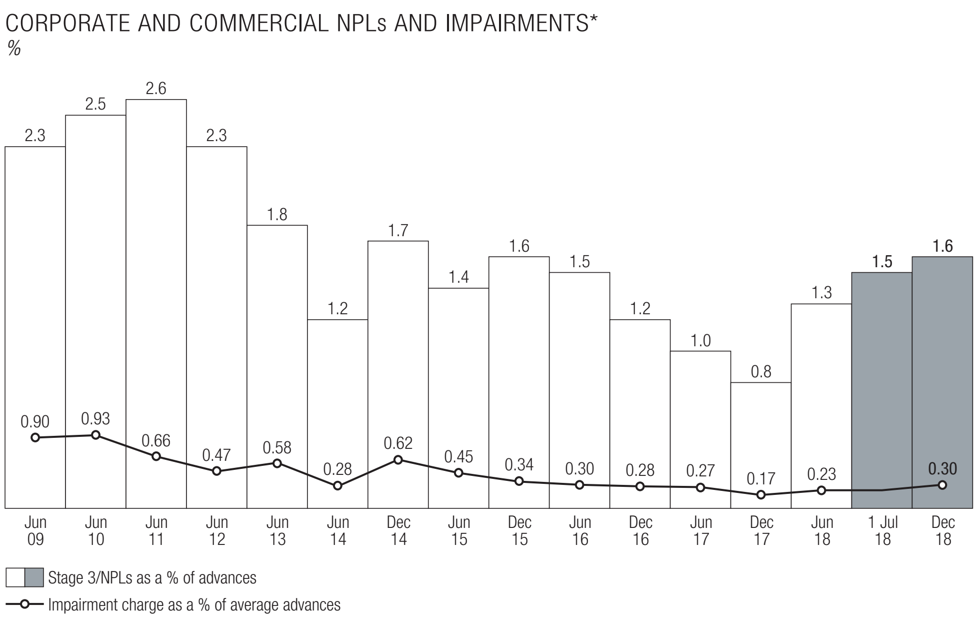
* *Impairment charge excluding Aldermore.*

Note: 30 June 2008 to 30 June 2019 figures are prepared on an IAS 39 basis. 1 July 2018 figures were restated and therefore 1 July 2018 and 31 December 2018 figures are prepared on an IFRS 9 basis.

Credit highlights continued



* *Excludes Aldermore.*



* *Excludes Aldermore.*

Note: 30 June 2009 to 30 June 2018 figures are presented on an IAS 39 basis, whilst 1 July 2018 figures were restated for IFRS 9 and therefore 1 July 2018 and December 2018 are presented on an IFRS 9 basis.

FirstRand acquired Aldermore effective 1 April 2018. Aldermore incurred a credit impairment charge of 23 bps for the six months ended 31 December 2018, in line with expectations.

The credit commentary below is provided for the group, excluding Aldermore, unless specifically stated otherwise. The focus of the credit commentary is on the credit performance between 1 July 2018, restated for IFRS 9 (1 July 2018), and 31 December 2018, for improved comparability.

Group NPLs increased 15% (16% excluding Aldermore) to 3.20% (3.57% excluding Aldermore) of advances from the 1 July 2018 ratio of 2.93% (3.25% excluding Aldermore).

The R5 074 million increase in total group NPLs to R38 588 million (including Aldermore) since 1 July 2018 is further analysed below.

	R million	% change	Percentage point contribution to overall NPL increase
Operational NPLs	2 752	11	8
Restructured debt review (D7)	121	3	–
Definition of rehabilitation (technical cures)	258	7	1
Lengthening of write-off period	1 943	–	6
Total	**5 074**	**15**	**15**

The extension of the write-off point impacts the group's unsecured lending portfolios, with the most pronounced impact in this reporting period due to the write-off point for the majority of the book changing from six months to 12 months. This impact is expected to start normalising in the second half of the financial year.

Group credit impairments, excluding Aldermore, increased 19% period-on-period, resulting in a group credit loss ratio of 96 bps, compared to 87 bps at December 2017 and 90 bps at June 2018. The group impairment charge, including Aldermore, was 86 bps.

Retail impairments reflected a modest deterioration of 10% period-on-period to 164 bps (December 2017: 160 bps; June 2018: 157 bps), with increases in the unsecured portfolios partially offset by an improved performance in the secured portfolios.

Commercial impairments deteriorated marginally to 78 bps, in line with through-the-cycle expectations.

The RMB investment banking portfolio incurred a modest 16 bps charge, whilst maintaining a conservative impairment coverage ratio in excess of 120 bps.

Group portfolio impairments (stage 1 and stage 2 impairments) (excluding Aldermore) remained flat compared to 1 July 2018, although stage 1 impairments increased 4%, primarily due to book growth, whilst stage 2 impairments decreased 5% reflecting the migration of certain counters into NPL status. As a result, the group's consolidated performing book coverage ratio decreased marginally from 151 bps at 1 July 2018 to 143 bps.

The total impairment coverage ratio decreased marginally from 89.5 bps at 1 July 2018 to 86.3 bps, reflecting the impact of paying debt-review customers, which carry lower coverage ratios and a mix change in NPLs. At 31 December 2017, the group's total coverage ratio was 78.6 bps on an IAS 39 basis.

Credit highlights continued

KEY DRIVERS

> Retail NPLs as a percentage of advances increased 15% to 5.40% from 4.80% on 1 July 2018 (December 2017: 3.68%), driven by book growth, especially in the unsecured portfolios, resulting in increases in cycle-driven operational NPL balances, as well as the impact of new cure and write-off definitions under IFRS 9. A further analysis of the R3 279 million increase in NPLs is provided below.

	R million	% change	Percentage point contribution to overall NPL increase
Operational	957	7	4
Restructured debt review (D7)	121	3	1
Technical cures/curing rules	258	7	1
Change in write-off point	1 943	–	9
Total	**3 279**	**15**	**15**

The R1 943 million increase in NPLs due to the change in write-off point is further analysed below:

	R million
Card	371
FNB loans	692
FNB retail other	442
DirectAxis	438
	1 943

– The increase in card and FNB loans NPLs since 1 July 2018 is analysed below:

	Card		FNB loans	
	R million	% change	R million	% change
Operational – new business strain	295	38	200	25
Debt review (D7)	42	13	77	14
Technical cures/curing rules	(34)	(43)	(24)	(13)
Write-off point extension	371	–	692	–
Total	**674**	**58**	**945**	**62**

– The increase in operational NPLs reflects expected new business strain given the seasoning of the book following strong advances growth over previous periods. Debt-review and technical cure NPLs comprise 31% and 22% of the FNB loans and card NPL portfolios, respectively. FNB loans reflected an impairment charge of 7.03% (December 2017: 5.53%; June 2018: 5.03%) with FNB card reflecting a charge of 2.93% (December 2017: 2.60%; June 2018: 2.83%), both within through-the-cycle appetite.

– DirectAxis NPLs increased 32% since 1 July 2018, compared to the 34% increase recorded in the financial year to June 2018. The increase was impacted by:

- operational NPLs increasing 11%, in line with book growth, reflecting the benefit of a more conservative origination appetite;
- a change in write-off policy under IFRS 9 (+R438 million); and
- a further increase in the combined value of restructured debt-review and technical cure NPLs of 7% (+R62 million).

– The DirectAxis impairment ratio of 8.60% (June 2018: 8.20%; December 2017: 7.54%) reflects the seasoning of the book and continued strong advances growth.

– Residential mortgage NPLs reflect a modest increase of 2% since 1 July 2018, benefiting from strong collections and targeted origination. NPLs in the affordable housing book increased 9%, impacted by resilient book growth and a normalisation of the credit cycle.

KEY DRIVERS

- RMB CIB NPLs (including RMB Africa) increased 25% since 1 July 2018, reflecting the migration of certain counters in distressed industries.
- FNB commercial NPLs increased 17% since 1 July 2018, primarily due to increases in higher collateralised agric NPLs and increases in commercial property finance and specialised finance.
- The rest of Africa portfolio showed an improved performance, although headwinds remain in certain jurisdictions, such as elevated inflation and interest rates, currency devaluation, scarce liquidity and modest economic growth. This resulted in a 9% increase in NPLs since 1 July 2018, specifically impacted by increased NPLs in Namibia, Botswana and Zambia. These migrations had a limited impact on the credit impairment charge, reflecting proactive and appropriate stage 2 provisions created in the prior financial year. The overall credit impairment charge decreased 1% period-on-period.
- MotoNovo VAF NPLs increased 6% in pound terms (7% in rand) since 1 July 2018, reflecting the benefit of risk cutbacks in origination in 2017 and 2018.
- The credit experience from the Aldermore portfolio remained benign in the period. NPLs increased 2%, resulting in NPLs as a percentage of advances of 1.02% (1 July 2018: 1.05%).
- Post write-off recoveries at R1 351 million (December 2017: R1 087 million; June 2018: R2 334 million) remained resilient in spite of the change to a later write-off point for unsecured NPLs in terms of IFRS 9, 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 operational stage 3/NPL balances, technical cures and the impact of write-offs.

R million	Operational stage 3/ NPLs*	Technical cures	Write-offs**	Paying restructured debt-review stage 3/ NPLs
December 2018 IFRS 9				
Residential mortgages	5 281	2 279	–	521
Card (excluding Discovery)	952	46	371	322
Personal loans	1 010	155	692	619
DirectAxis loans#	1 079	84	438	877
Retail other	923	33	442	268
FNB retail NPLs	9 245	2 597	1 943	2 607
WesBank retail NPLs	4 289	1 412	–	1 398
Discovery card	110	–	–	32
Total NPLs	28 599	4 009	1 943	4 037

* *Operational stage 3/NPLs include older debt-review accounts that migrated into stage 3/NPLs prior to May 2016 as well as other types of restructured exposures and special arrangements undertaken by the group that are non-performing.*

** *Effective prospectively with the adoption of IFRS 9.*

Formerly called WesBank loans.

Total stage 3/ NPLs	Total stage 3/ NPLs % increase since 1 July 2018	Operational stage 3/ NPLs % change since 1 July 2018	Technical cures as a % of stage 3/ NPLs	Write-offs as a % of stage 3/ NPLs**	Paying restructured debt-review stage 3/NPLs as a % of total stage 3/NPLs
8 081	2	2	28	–	6
1 691	66	42	3	22	19
2 476	62	25	6	28	25
2 478	32	11	3	18	35
1 666	59	20	2	27	16
16 392	22	10	16	12	16
7 099	3	1	20	–	20
142	1	13	–	–	23
38 588	15	11	10	5	10

Credit highlights continued

R million	Operational stage 3/ NPLs*	Technical cures	Write-offs**	Paying restructured debt-review stage 3/ NPLs
1 July 2018 IFRS 9				
Residential mortgages	**5 195**	**2 198**		**541**
Card (excluding Discovery)	**670**	**66**		**282**
Personal loans	**810**	**179**		**542**
DirectAxis loans#	**975**	**73**		**826**
Retail other	**769**	**12**		**267**
FNB retail NPLs	**8 419**	**2 528**		**2 458**
WesBank retail NPLs	**4 240**	**1 209**		**1 428**
Discovery card	**97**	**14**		**30**
Total NPLs	**25 847**	**3 751**		**3 916**

R million	Operational stage 3/ NPLs*	Technical cures	Write-offs**	Paying restructured debt-review stage 3/ NPLs
June 2018 IAS 39				
Residential mortgages	4 560			515
Card (excluding Discovery)	670			282
Personal loans	739			598
DirectAxis loans#	706			1 094
Retail other	778			214
FNB retail NPLs	7 453			2 703
WesBank retail NPLs	4 207			2 611
Discovery card	100			30
Total NPLs	21 603			5 344

* *Operational stage 3/NPLs include older debt-review accounts that migrated into stage 3/NPLs prior to May 2016 as well as other types of restructured exposures and special arrangements undertaken by the group that are non-performing.*

** *Effective prospectively with the adoption of IFRS 9.*

\# *Formerly called WesBank loans.*

Total stage 3/ NPLs	Total stage 3/ NPLs % increase (on adoption of IFRS 9)	Operational stage 3/ NPLs % change (on adoption of IFRS 9)	Technical cures as a % of stage 3/ NPLs	Write-offs as a % of stage 3/ NPLs**	Paying restructured debt-review stage 3/NPLs as a % of total stage 3/NPLs
7 934	**56**	**14**	**28**		**7**
1 018	**7**	**–**	**6**		**28**
1 531	**15**	**10**	**12**		**35**
1 874	**4**	**38**	**4**		**44**
1 048	**6**	**(1)**	**1**		**25**
13 405	**32**	**13**	**19**		**18**
6 877	**1**	**1**	**18**		**21**
141	**8**	**(3)**	**10**		**21**
33 514	**24**	**20**	**11**		**12**

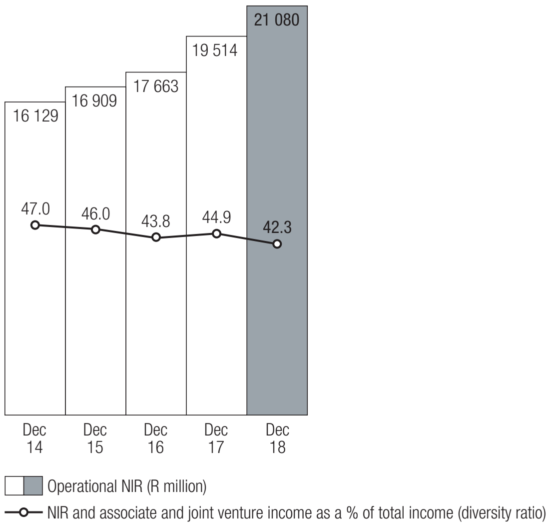
Total stage 3/ NPLs	Total stage 3/ NPLs % increase year-on-year	Operational stage 3/ NPLs % change year-on-year	Technical cures as a % of stage 3/ NPLs	Write-offs as a % of stage 3/ NPLs**	Paying restructured debt-review stage 3/NPLs as a % of total stage 3/NPLs
5 075	11	11			10
952	17	16			30
1 337	9	(7)			45
1 800	34	>100			61
992	16	15			22
10 156	15	15			27
6 818	18	23			38
130	16	(11)			23
26 947	23	26			20

Non-interest revenue

NON-INTEREST REVENUE – UP 8%

OPERATIONAL NON-INTEREST REVENUE UP 8%

OPERATIONAL NON-INTEREST REVENUE AND DIVERSITY RATIO
NIR CAGR 7%



Note: December 2014 to December 2017 figures are presented on an IAS 39 basis, whilst December 2018 figures are presented on an IFRS 9 basis.

ANALYSIS OF OPERATIONAL NON-INTEREST REVENUE

		Six months ended 31 December			Year ended 30 June
R million	Notes	**2018 IFRS 9**	2017 IAS 39	% change	2018 IAS 39
Fee, commission and insurance income		**17 704**	15 898	11	32 447
– Fee and commission income	1	**15 632**	13 956	12	28 250
– Insurance income	2	**2 072**	1 942	7	4 197
Markets, client and other fair value income	3	**1 837**	2 066	(11)	4 165
Investment income	4	**307**	344	(11)	1 959
Other non-interest revenue	5	**1 232**	1 206	2	2 441
– Consolidated private equity income		**–**	8	(100)	16
– Other		**1 232**	1 198	3	2 425
Operational non-interest revenue		**21 080**	19 514	8	41 012

The notes referred to in the table above are detailed in the following pages.

The NIR performance was underpinned by robust fee and commission income growth, driven by strong electronic transaction volumes and ongoing customer acquisition. Fee, commission and insurance income represents 84% (December 2017: 81%) of operational NIR.

The structural shift in the group's diversity ratio, despite ongoing growth in NII, results from the positive cumulative endowment impact and a number of specific strategic actions outlined below:

NII

- focus on growing retail and commercial deposit businesses;
- targeted origination strategies to main banked customers resulted in sustained good advances growth and a change in mix; and
- repricing strategies.

NIR

- incremental loss of NIR due to lower fees charged on digital transactions, offset by focus on customer acquisition, resulting in increased transaction volumes and fees;
- incrementally increasing contribution from new initiatives such as insurance and FML; and
- the group is investing in strategies to diversify, protect and grow NIR.

Non-interest revenue continued

NOTE 1 – FEE AND COMMISSION INCOME – UP 12%

	Six months ended 31 December			Year ended 30 June
R million	**2018 IFRS 9**	2017 IAS 39	% change	2018 IAS 39
Bank fee and commission income	**16 253**	14 417	13	28 864
– Card commissions	**2 565**	2 268	13	4 489
– Cash deposit fees	**1 020**	975	5	1 876
– Commissions on bills, drafts and cheques	**1 450**	1 240	17	2 555
– Bank charges	**11 218**	9 934	13	19 944
– Commitment fees	**786**	776	1	1 542
– Other bank charges*	**10 432**	9 158	14	18 402
Knowledge-based fees	**644**	578	11	1 410
Management and fiduciary fees	**1 099**	1 024	7	2 096
Other non-bank commissions	**476**	465	2	947
Gross fee and commission income	**18 472**	16 484	12	33 317
Fee and commission expenditure	**(2 840)**	(2 528)	12	(5 067)
Total fee and commission income	**15 632**	13 956	12	28 250

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

KEY DRIVERS

> FNB delivered 11% growth in NIR. In the SA business, this was driven by growth in main-banked clients and increased cross-sell and up-sell. Rest of Africa NIR grew 7%.

> Transactional volumes increased 11%. Electronic volumes grew 12%, whilst manual volumes grew 7%. Branch and cash centre transactional volumes decreased 17% and 5%, respectively.

%	**Increase in transactional volumes**
ATM/ADT	**8**
Internet banking	**(1)**
Banking app	**52**
Mobile (excluding prepaid)	**(4)**
Point-of-sale merchants	**18**
Card swipes	**13**

> Knowledge-based fees remained resilient, increasing 11% due to strong structuring and arranging fees, especially those related to cross-border transactions. Low deal volumes resulted in flat advisory fees and a muted performance from capital market and underwriting activities.

> The group's management and fiduciary fee income growth of 7% was driven by an increase of 7% in AUM period-on-period, but was negatively impacted by a subdued market performance (an 8% decline in the all-share index (ALSI) since 30 June 2018).

NOTE 2 – INSURANCE INCOME – UP 7%

R million	Six months ended 31 December 2018 IFRS 9	Six months ended 31 December 2017 IAS 39	% change	Year ended 30 June 2018 IAS 39
Commissions, brokerage and cell captives	**1 036**	1 118	(7)	2 207
Insurance risk-related income	**1 036**	824	26	1 990
– Insurance premiums received	**1 738**	1 428	22	3 032
– Reinsurance expenses	**(107)**	(78)	37	(108)
– Insurance benefits and claims paid	**(510)**	(395)	29	(832)
– Reinsurance recoveries	**15**	5	>100	11
– Transfers to policyholder liabilities (gross)	**(147)**	(211)	(30)	(138)
– Transfers to policyholder liabilities (reinsurance)	**47**	75	(37)	25
Total insurance income	**2 072**	1 942	7	4 197

KEY DRIVERS

- Insurance income growth of 7% reflects strong new business APE growth of 49%, resulting in 14% growth of the in-force life insurance book. Overall income growth was impacted by an increase in claims ratios and higher acquisition costs in line with growth in the in-force book.
- The structure of the insurance income continues to change from historically predominantly cell captive-related income to on-balance sheet risk underwriting income with the acquisition of the MMI insurance book in the 2017 financial year, as well as growth in product offering and new policies written on balance sheet.
- WesBank's insurance income declined 2%, reflecting the impact of modest new retail business unit volumes.

Non-interest revenue continued

NOTE 3 – MARKETS, CLIENT AND OTHER FAIR VALUE INCOME – DOWN 11%

	Six months ended 31 December			Year ended 30 June
R million	**2018 IFRS 9**	2017 IAS 39	% change	2018 IAS 39
Client	**997**	1 185	(16)	2 789
Markets	**932**	760	23	1 519
Other	**(92)**	121	(>100)	(143)
Total markets, client and other fair value income	**1 837**	2 066	(11)	4 165

KEY DRIVERS

- The overall markets and client businesses' performances reflect the ongoing uncertain SA macro environment, as well as the impact of heightened global trade war tensions.
- Underlying client revenues came under pressure during the period, due to subdued large corporate activity in SA. This negatively impacted income from structuring activities but was partially offset by a robust performance from the rest of Africa portfolio, which benefited from improved margins and volumes.
- Flow trading and residual risk activities benefited from a strong performance from the soft commodities business on the back of increased maize prices. The FX business delivered a strong performance driven by higher levels of volatility in emerging markets. The fixed income business experienced a difficult trading environment due to weakening real bond yields, and lower levels of liquidity and market demand given the benign interest rate environment. In addition, the performance benefited from a recovery in the hard commodities business and the non-repeat of an isolated operational loss event and losses in the credit trading portfolios in the comparative period.
- The decrease in other fair value income was due to negative mark-to-market movements on economic FX hedges, which will pull to par over the duration of the instruments. In addition, the net TRS fair value income was lower than the prior period due to grant date values and vesting of the various schemes.

NOTE 4 – INVESTMENT INCOME – DOWN 11%

R million	Six months ended 31 December 2018 IFRS 9	Six months ended 31 December 2017 IAS 39	% change	Year ended 30 June 2018 IAS 39
Private equity realisations and dividends received	**253**	177	43	1 823
– Profit on realisation of private equity investments	**243**	147	65	1 805
– Dividends received	**1**	1	–	2
– Other private equity income	**9**	29	(69)	16
Other investment income	**54**	167	(68)	136
– Profit on assets held against employee liabilities	**(41)**	140	(>100)	97
– Other investment income	**95**	27	>100	39
Total investment income	**307**	344	(11)	1 959

KEY DRIVERS

- Private equity realisation income of ±R350 million includes c.R110 million (December 2017: c.R50 million) reflected in equity-accounted income. R800 million of new investments were made in the private equity portfolios in the current reporting period. The unrealised value in the portfolio was approximately R3.7 billion at December 2018 (December 2017: R3.4 billion; June 2018: R3.7 billion).
- The group's employee liability insurance (ELI) asset portfolio's performance was negatively impacted by the 11% decline in the ALSI period-on-period (December 2017: 17% increase) and the 8% decline since June 2018, and the change in mix of the underlying asset allocation in the prior period.

NOTE 5 – OTHER NON-INTEREST REVENUE – UP 2%

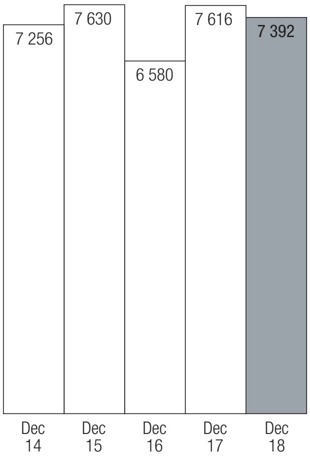
KEY DRIVERS

- The most significant other non-interest revenue 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 FML book.

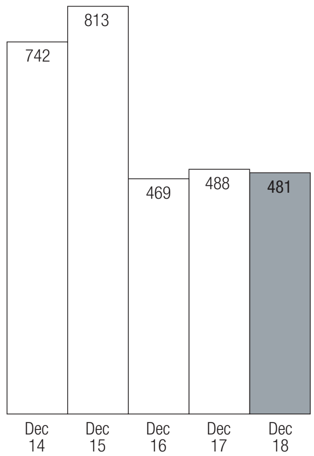
Non-interest revenue continued

SHARE OF PROFITS FROM ASSOCIATES AND JOINT VENTURES – DOWN 1%

INVESTMENT IN ASSOCIATES AND JOINT VENTURES
R million



SHARE OF PROFITS FROM ASSOCIATES AND JOINT VENTURES
R million



Note: December 2014 to December 2017 figures are presented on an IAS 39 basis, whilst December 2018 figures are presented on an IFRS 9 basis.

SHARE OF PROFITS FROM ASSOCIATES AND JOINT VENTURES

	Six months ended 31 December			Year ended 30 June
R million	2018 IFRS 9	2017 IAS 39	% change	2018 IAS 39
Private equity associates and joint ventures	**308**	328	(6)	677
– Equity-accounted income	**319**	333	(4)	733
– Impairments	**(11)**	(5)	>100	(56)
Other operational associates and joint ventures	**311**	345	(10)	674
– Toyota Financial Services (Pty) Ltd	**117**	113	4	226
– Volkswagen Financial Services (Pty) Ltd	**31**	27	15	51
– RMB Morgan Stanley (Pty) Ltd	**62**	81	(23)	163
– Other	**101**	124	(19)	234
Share of profits from associates and joint ventures before tax	**619**	673	(8)	1 351
Tax on profits from associates and joint ventures	**(138)**	(185)	(25)	(437)
Share of profits from associates and joint ventures after tax	**481**	488	(1)	914

KEY DRIVERS

- The decline in equity-accounted income from the RMB Private Equity portfolio (including the impact of c.R110 million of realisation income) reflects the significant level of disposals over the last three financial years, as well as the impact of the subdued macro environment on the operating performance of certain investee companies.
- WesBank associates' performance (Toyota and Volkswagen Financial Services) reflects a modest improvement in the current period benefiting from the rebasing of the credit performance, and increasing NPLs in the comparative period (in line with the experience in the retail SA VAF book) resulting in lower impairment levels in comparison to the previous period.
- RMB Morgan Stanley's performance was adversely affected by lower client activity, with the prior period result buoyed by higher market volumes.

TOTAL INCOME FROM PRIVATE EQUITY ACTIVITIES (PRIVATE EQUITY DIVISION AND OTHER PRIVATE EQUITY-RELATED ACTIVITIES)

RMB earns private equity-related income primarily from its Private Equity business, however, other areas in RMB also engage in or hold private equity-related investments (as defined in *Circular 04/2018 Headline Earnings*), which are not reported as part of RMB Private Equity's results. The underlying nature of the various private equity-related income streams are reflected below.

	Six months ended 31 December			Year ended 30 June
R million	2018 IFRS 9	2017 IAS 39	% change	2018 IAS 39
RMB Private Equity	**561**	513	9	2 516
Income from associates and joint ventures	**308**	328	(6)	677
– Equity-accounted income*	**319**	333	(4)	733
– Impairments*	**(11)**	(5)	>100	(56)
Realisations and dividends**	**244**	148	65	1 807
Other private equity income**	**9**	29	(69)	16
Consolidated private equity income#	**–**	8	(100)	16
Other business units	**45**	49	(8)	(12)
Income from associates and joint ventures and other investments	**44**	40	10	131
– Equity-accounted income*	**(71)**	62	(>100)	128
– Reversal of impairments/(impairments)*	**80**	(19)	(>100)	(66)
– Other investment income**	**35**	(3)	(>100)	69
Consolidated other income†	**1**	9	(89)	(143)
Private equity activities before tax	**606**	562	8	2 504
Tax on equity-accounted private equity investments	**(57)**	(102)	(44)	(259)
Private equity activities after tax	**549**	460	19	2 245

* *Refer to analysis of income from associates and joint ventures on page 82.*

** *Refer to investment income analysis on page 81.*

Refer to non-interest revenue analysis on page 77.

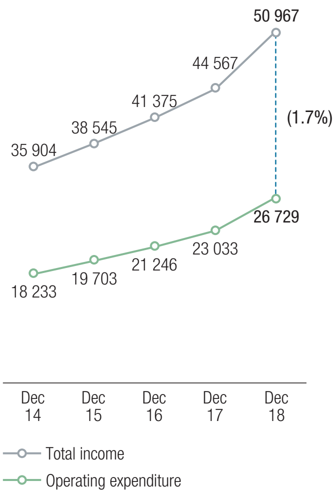
† *Included in NII, credit impairment charge and other NIR depending on the underlying nature of the item.*

Operating expenses

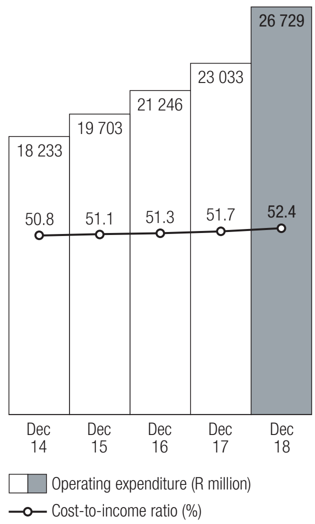
OPERATING EXPENSES – UP 10% (UP 16% INCLUDING ALDERMORE)

OPERATING JAWS

R million



OPERATING EFFICIENCY



Note: December 2014 to December 2017 figures are presented on an IAS 39 basis, whilst December 2018 figures are presented on an IFRS 9 basis.

OPERATING EXPENSES

R million	Six months ended 31 December 2018 IFRS 9	Six months ended 31 December 2017 IAS 39	% change	Year ended 30 June 2018 IAS 39
Staff expenditure	**14 693**	13 487	9	27 773
– Direct staff expenditure	**10 185**	9 226	10	18 449
– Other staff-related expenditure	**4 508**	4 261	6	9 324
Depreciation of property and equipment	**1 401**	1 360	3	2 824
Amortisation of intangible assets	**132**	103	28	250
Advertising and marketing	**1 010**	918	10	1 959
Insurance	**70**	76	(8)	115
Lease charges	**833**	819	2	1 648
Professional fees	**992**	945	5	1 931
Audit fees	**205**	164	25	357
Computer expenses	**1 276**	1 143	12	2 346
Repairs and maintenance	**667**	567	18	1 208
Telecommunications	**254**	253	–	520
Cooperation agreements and joint ventures	**391**	349	12	706
Property	**509**	507	–	1 000
Business travel	**254**	218	17	439
Assets costing less than R7 000	**174**	161	8	282
Stationery and printing	**116**	125	(7)	241
Donations	**256**	243	5	255
Other expenditure	**1 799**	1 595	13	3 002
Operating expenses excluding Aldermore and Aldermore related	**25 032**	23 033	9	46 856
Amortisation of Aldermore intangible (on acquisition)	**218**	–	–	102
Total operating expenses excluding Aldermore	**25 250**	23 033	10	46 958
Aldermore operating expenses	**1 479**	–	–	706
Total operating expenses	**26 729**	23 033	16	47 664

Operating expenses continued

IT SPEND

The group's income statement is presented on a nature basis, but to better illustrate the composition of IT spend, the table below reflects the breakdown on a functional basis.

FUNCTIONAL PRESENTATION OF IT SPEND

	Six months ended 31 December			Year ended 30 June
R million	**2018 IFRS 9**	2017* IAS 39	% change	2018 IAS 39
IT-related staff cost	**1 997**	1 828	9	3 017
Non-staff IT-related costs	**2 797**	2 307	21	4 984
– Computer expenses	**1 390**	1 143	22	2 396
– Professional fees	**515**	378	36	807
– Repairs and maintenance	**196**	153	28	386
– Depreciation	**429**	414	4	871
– Amortisation of software	**149**	92	62	221
– Other	**118**	127	(7)	303
Total spend**	**4 794**	4 135	16	8 001

* *Numbers within the functional categories have been restated due to refinement of the process.*

** *December 2018 includes R271 million relating to Aldermore.*

KEY DRIVERS

- Cost growth of 10% reflects the impact of continuing investment spend on new initiatives and platforms. Including Aldermore, costs increased 16% period-on-period.
- Staff costs, which comprise 59% of the group's operating expenses (excluding Aldermore), increased 9%.

	% CHANGE	REASONS
Direct staff costs	10	Impacted by unionised increases in South Africa at an average of 7.8% in August 2018 and a 3% increase in staff complement across the group. The recruitment of 1 500 people as part of the FirstJob work experience programme contributed 2.7% to the growth.
Other staff-related expenditure	6	The increase in variable costs reflects the growth in earnings and NIACC in the current period. Normalised share-based payment expenses increased marginally, given the increase in the group's share price, resulting in higher grant values.

- The 3% increase in depreciation was driven by strong growth in WesBank's FML book, continuing investment in infrastructure (e.g. ATMs/ADTs), ongoing investment in electronic platforms and commissioning of new premises over the previous three financial years.
- The 28% increase in amortisation of intangible assets is due to software capitalisation across the operating businesses.
- The amortisation of the intangible assets identified on the acquisition of Aldermore resulted in an additional charge of R218 million.
- Advertising and marketing cost growth of 10% resulted from key new sport sponsorships, the marketing of new digital platforms and other general TV campaigns.
- The 25% increase in audit fees was driven by the cost associated with the adoption of IFRS 9.
- Computer expenses growth of 12% reflects the continued spend on projects related to various electronic platforms, infrastructure, cybersecurity and credit-related reporting upgrades, both domestically, in the rest of Africa and in the UK.
- Repairs and maintenance increased 18% following green energy-related property and other hardware upgrades.
- Cooperation agreements and joint venture costs increased 12% following the Discovery transaction, whereby 100% of the profit in the Discovery card book is now being paid to Discovery, as well as improved performance in WesBank's underlying alliances.
- Other expenses include various items such as entertainment, bank charges, subscriptions and memberships. The most significant growth was in bank charges due to increased regulatory fees.

03 balance sheet analysis and financial resource management

90 – 141

Economic view of the balance sheet

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

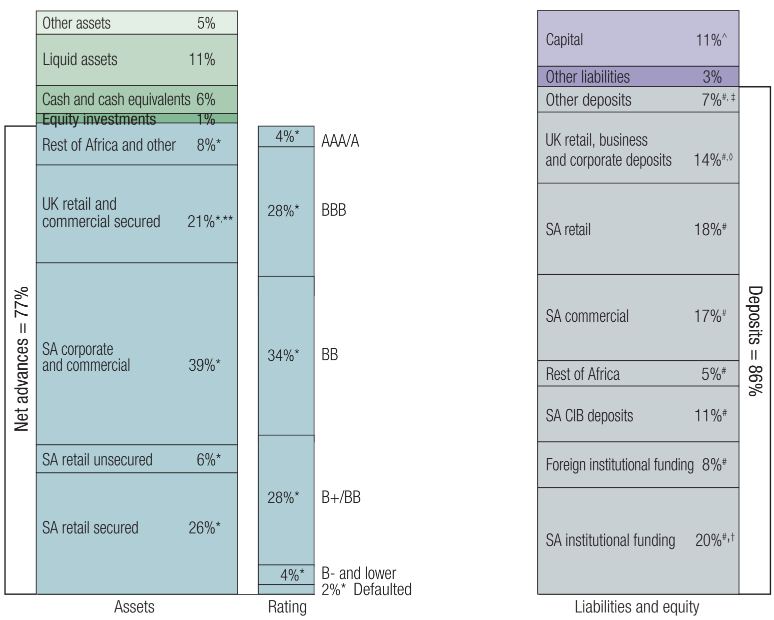
When assessing the underlying risk in the balance sheet, the group's asset profile is dominated by a balanced advances portfolio, which constitutes 77% of total assets. The composition of the net advances portfolio consists of SA retail secured (26%), SA retail unsecured (6%), SA corporate and commercial (39%), UK retail and commercial secured (21%), and rest of Africa and other (8%). At 31 December 2018, total NPLs amounted to R38 588 million (3.20% as a percentage of advances) with a credit loss ratio of 86 bps.

Cash and cash equivalents, and liquid assets represent 6% and 11%, respectively, of total assets. Only a small portion of assets relate to the investment and markets businesses. Market risk arising from trading activities has remained low and the group's equity investments relate primarily to RMB's private equity activities.

FirstRand's funding profile continues to reflect the structural funding constraints associated with the South African financial sector. The group has, however, continued to optimise its risk-adjusted funding profile through targeting a lower proportion of institutional funding relative to peers. The weighted average remaining term of the group's institutional funding was 36 months at 31 December 2018 (December 2017: 34 months).

The group's capital ratios exceeded stated targets with a CET1 ratio of 12.0%, Tier 1 ratio of 12.6% and total capital adequacy ratio of 14.8%. Gearing increased to 13.0 times (December 2017: 11.3 times) which was primarily driven by the acquisition of Aldermore.

ECONOMIC VIEW OF THE BALANCE SHEET
%



* *As a proportion of net advances.*

** *Based on advances originated in MotoNovo, Aldermore and London branch*

\# *As a proportion of deposits.*

† *Includes CIB institutional funding.*

‡ *Consists of liabilities relating to conduits and securitisations.*

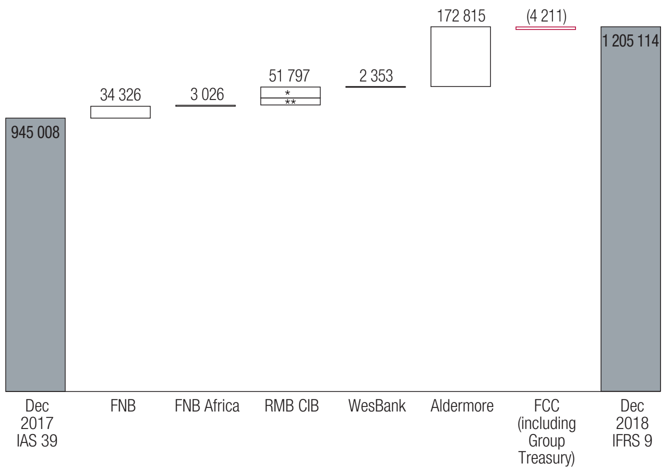
^ *Includes ordinary equity, non-controlling interests (9%), NCNR preference shares and AT1 and Tier 2 liabilities (2%).*

◊ *UK deposits raised in Aldermore and Guernsey branch.*

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

Gross advances – up 9% (up 28% including Aldermore)

GROSS ADVANCES GROWTH BY BUSINESS
R million



* Advances excluding assets under agreements to resell of R31 474 million.
** Assets under agreements to resell of R20 323 million.

ADVANCES

	As at 31 December			As at 1 July	As at 30 June
R million	**2018 IFRS 9**	2017 IAS 39	% change	**2018 IFRS 9**	2018 IAS 39
Gross advances	**1 205 114**	945 008	28	**1 142 476**	1 140 482
Impairment of advances	**(32 570)**	(17 276)	89	**(29 078)**	(19 255)
Net advances	**1 172 544**	927 732	26	**1 113 398**	1 121 227

Gross advances increased 9% (28% including Aldermore). The 9% growth is marginally above nominal GDP growth, and has been impacted by repo advances in RMB CIB growing >100% period-on-period. Excluding growth in repo advances, core advances grew 7% (excluding Aldermore). The adoption of IFRS 9 on 1 July 2018 did not have a material impact on advances growth, but resulted in reclassifications between fair value through profit or loss (FVTPL) and amortised cost (AC), and significantly impacted impairment of advances. Net advances grew 5% since 1 July 2018.

Growth rates in retail SA VAF, MotoNovo and FNB consumer, were more subdued than in some of the other portfolios due to a tightening in credit appetite, especially in higher-risk origination buckets.

RMB continued to exercise discipline in an environment characterised by low corporate activity in South Africa and competitive pressures, especially in the investment-grade segment. Growth was, however, strong in the cross-border and corporate banking books, especially in the rest of Africa.

Aldermore showed growth of 5.5% since June 2018, benefiting from lower redemptions across most portfolios, although new business volumes in buy-to-let have slowed due to a subdued macro environment, offset by strong new business levels in owner occupied mortgages, invoice finance and asset finance.

Advances continued

DECEMBER 2018 IFRS 9 VS DECEMBER 2017 IAS 39		
PORTFOLIO/PRODUCT	% CHANGE	KEY DRIVERS
FNB retail	**9**	
Residential mortgages	**6**	> FNB HomeLoans grew 2% period-on-period, reflecting muted growth of 3.5% in nominal house price inflation and lower demand. > Growth in secured affordable housing slowed to 7% on the back of lower client demand. > Private bank mortgage lending showed resilient growth of 9% benefiting from new client acquisition and the upward segment migration of existing clients.
Card	**19**	> Underpinned by targeted new client acquisition, client migration as well as increased limits and utilisation in the premium segment. Growth in the consumer segment was marginally negative, given reduced risk appetite.
FNB personal loans	**38**	> Mainly driven by very strong growth in the premium segment, driven by client scoring process enhancements and the activation of new digital channels to existing customers. Advances in the consumer segment reflected satisfactory growth of 11%, following declines in the prior financial year, due to measured loan extension in line with risk appetite.
DirectAxis loans	**11**	> Driven by increased growth in lower-risk segments and repeat business, offset by cuts in higher-risk buckets and the introduction of NCAA rate caps in prior financial periods.
Retail other	**12**	> Driven by increases in transactional banking accounts (primarily overdrafts).
FNB Africa	**6**	
Namibia	**2**	> Ongoing modest growth reflected a 2% increase in residential mortgages, due to the subdued macro environment.
Botswana	**10**	> Retail advances growth of 5% in pula period-on-period, reflecting macros and risk cutbacks.
FNB commercial	**11**	> Driven by targeted new client acquisition in the business segment, resulting in growth of 10% in agric and 14% in commercial property finance.

DECEMBER 2018 IFRS 9 VS DECEMBER 2017 IAS 39		
PORTFOLIO/PRODUCT	**% CHANGE**	**KEY DRIVERS**
RMB CIB*	**12**	> Growth from the SA core advances book was satisfactory, despite competitive pressures, and was underpinned by >25% growth in SA corporate bank advances, due to increased working capital utilisation by clients. Cross-border advances in RMB CIB grew 21% in dollar terms, reflecting targeted new credit extension. In rand terms, the cross-border book increased 41%.
WesBank VAF	**2**	> New business production in overall retail SA VAF contracted 6%, impacted by the run-off of business now written on associates' balance sheets, further risk cuts in origination, increased competitive pressures and the impact of the curtailment of a JV relationship during the year.
MotoNovo	**10**	> New business volumes in MotoNovo contracted 18% in pound terms (10% in rand), impacted by ongoing credit origination conservatism, constrained appetite for higher-risk origination, negative growth in new and used car sales in the UK, and a slower uptake in the findandfundmycar.com initiative. Advances growth in pound terms was flat period-on-period.

* *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. The notes that follow relate to the credit highlights section on pages 65 to 75.

NOTE 1: ANALYSIS OF ADVANCES

SEGMENTAL ANALYSIS OF ADVANCES

	Advances					
	As at 31 December					
			Dec 18 IFRS 9 vs Dec 17 IAS 39	IFRS 9		
R million	**2018 IFRS 9**	2017 IAS 39	% change	**Stage 1**	**Stage 2**	**Stage 3**
Retail	**458 585**	426 301	8	**403 641**	**30 182**	**24 762**
Retail – secured	**375 699**	356 270	5	**334 593**	**24 818**	**16 288**
Residential mortgages	**210 484**	198 704	6	**190 332**	**12 071**	**8 081**
VAF	**165 215**	157 566	5	**144 261**	**12 747**	**8 207**
– SA	**105 684**	103 789	2	**89 150**	**9 435**	**7 099**
– MotoNovo*	**59 531**	53 777	11	**55 111**	**3 312**	**1 108**
Retail – unsecured	**82 886**	70 031	18	**69 048**	**5 364**	**8 474**
Card	**29 113**	25 063	16	**25 971**	**1 309**	**1 833**
– FNB	**24 799**	20 805	19	**21 872**	**1 236**	**1 691**
– Discovery	**4 314**	4 258	1	**4 099**	**73**	**142**
Personal loans	**36 791**	29 867	23	**28 897**	**2 919**	**4 975**
– FNB	**20 072**	14 562	38	**15 992**	**1 604**	**2 476**
– DirectAxis loans**	**15 884**	14 369	11	**12 109**	**1 297**	**2 478**
– MotoNovo	**835**	936	(11)	**796**	**18**	**21**
Retail other	**16 982**	15 101	12	**14 180**	**1 136**	**1 666**
Corporate and commercial	**475 812**	418 116	14	**418 721**	**49 339**	**7 752**
FNB commercial	**97 546**	87 900	11	**85 774**	**7 847**	**3 925**
WesBank corporate	**30 226**	29 768	2	**28 058**	**1 697**	**471**
RMB investment banking[#,†]	**268 723**	234 936	14	**231 483**	**34 562**	**2 678**
RMB corporate banking[#,†]	**64 673**	48 532	33	**58 965**	**5 030**	**678**
HQLA corporate advances[‡]	**14 644**	16 980	(14)	**14 441**	**203**	**–**
Rest of Africa	**63 761**	58 866	8	**54 900**	**4 549**	**4 312**
FNB[^]	**54 548**	51 522	6	**46 022**	**4 230**	**4 296**
RMB (corporate and investment banking)[†]	**9 213**	7 344	25	**8 878**	**319**	**16**
FCC (including Group Treasury)	**34 141**	41 725	(18)	**34 141**	**–**	**–**
Securitisation notes	**25 994**	24 238	7	**25 994**	**–**	**–**
Other[◊]	**8 147**	17 487	(53)	**8 147**	**–**	**–**
Total advances excl. Aldermore	**1 032 299**	945 008	9	**911 403**	**84 070**	**36 826**
Aldermore[§]	**172 815**	–	–	**160 576**	**10 477**	**1 762**
Total advances incl. Aldermore[◊,Δ,∞,≈]	**1 205 114**	945 008	28	**1 071 979**	**94 547**	**38 588**
Of which:						
Accrual book	**1 132 343**	733 093	54	**1 002 313**	**91 741**	**38 289**
Fair value book[Δ]	**72 771**	211 915	(66)	**69 666**	**2 806**	**299**

Advances			
	As at 1 July		As at 30 June
2018 % composition	2018 IFRS 9	Dec 18 IFRS 9 vs 1 Jul 18 IFRS 9 % change	2018 IAS 39
38	**447 142**	3	446 356
31	**370 861**	1	370 183
17	**205 630**	2	204 969
14	**165 231**	–	165 214
9	**104 884**	1	104 864
5	**60 347**	(1)	60 350
7	**76 281**	9	76 173
3	**27 155**	7	27 140
3	**22 805**	9	22 792
–	**4 350**	(1)	4 348
3	**33 222**	11	33 181
2	**17 200**	17	17 161
1	**14 985**	6	14 985
–	**1 037**	(19)	1 035
1	**15 904**	7	15 852
39	**432 728**	10	432 133
8	**94 558**	3	93 987
3	**32 164**	(6)	32 150
22	**240 736**	12	240 775
5	**46 636**	39	46 592
1	**18 634**	(21)	18 629
6	**61 726**	3	61 048
5	**53 765**	1	53 094
1	**7 961**	16	7 954
3	**37 004**	(8)	37 069
2	**23 674**	10	23 674
1	**13 330**	(39)	13 395
86	**978 600**	5	976 606
14	**163 876**	5	163 876
100	**1 142 476**	5	1 140 482
94	**1 088 679**	4	941 580
6	**53 797**	35	198 902

* *MotoNovo VAF book = £3.25 billion (-2% from 1 July 2018) (December 2017: £3.24 billion; June 2018: £3.32 billion).*

** *Formerly called WesBank loans.*

Includes activities in India and represents the in-country balance sheet.

† *Corporate and investment banking advances total R342.61 billion (December 2017 IAS 39: R290.81 billion; June 2018: R295.32 billion).*

‡ *Managed by the Group Treasurer.*

^ *Prior year adjusted with the reallocation of WesBank Africa to FNB Africa.*

◊ *The prior period included R12.5 billion fully collateralised reverse repo advances.*

§ *Aldermore advances = £9.43 billion (+5% from 1 July 2018) (June 2018: £9.02 billion).*

∆ *IAS 39 includes advances classified as available-for-sale.*

∞ *Included in advances is repo advances of R43 430 million (December 2017: R34 361 million; June 2018: R33 064 million).*

≈ *Total advances at 31 December 2018 include R2 241 million ISP recognised on IFRS 9 transition.*

Credit continued

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

	Advances						
	As at 31 December				As at 1 July		As at 30 June
R million	**2018 IFRS 9**	2017 IAS 39	Dec 18 IFRS 9 vs Dec 17 IAS 39 % change	**2018 % composition**	**2018 IFRS 9**	Dec 18 IFRS 9 vs 1 Jul 18 IFRS 9 % change	2018 IAS 39
Corporate and investment banking advances*,**	**342 609**	290 812	18	**100**	**295 333**	16	295 321
Less: assets under agreements to resell	**(39 903)**	(19 580)	>100	**(12)**	**(23 233)**	72	(23 233)
RMB advances net of assets under agreements to resell	**302 706**	271 232	12	**88**	**272 100**	11	272 088

* *Includes rest of Africa advances.*

** *Excludes HQLA managed by the Group Treasurer.*

STRATEGY VIEW OF CORPORATE AND INVESTMENT BANKING ADVANCES

	Advances						
	As at 31 December				As at 1 July		As at 30 June
R million	**2018 IFRS 9**	2017 IAS 39	Dec 18 IFRS 9 vs Dec 17 IAS 39 % change	**2018 % composition**	**2018 IFRS 9**	Dec 18 IFRS 9 vs 1 Jul 18 IFRS 9 % change	2018 IAS 39
RMB investment banking	**268 723**	234 936	14	**84**	**240 736**	12	240 775
Less: assets under agreements to resell	**(39 017)**	(19 472)	>100	**(12)**	**(22 778)**	71	(22 778)
RMB investment banking core advances	**229 706**	215 464	7	**72**	**217 958**	5	217 997
– South Africa	**198 628**	193 181	3	**62**	**190 107**	4	190 146
– Cross-border (rest of Africa)	**31 078**	22 283	39	**10**	**27 851**	12	27 851
RMB corporate banking	**64 673**	48 532	33	**20**	**46 636**	39	46 592
Less: assets under agreements to resell	**(886)**	(108)	>100	**–**	**(455)**	95	(455)
RMB corporate banking core advances	**63 787**	48 424	32	**20**	**46 181**	38	46 137
– South Africa	**51 754**	40 226	29	**16**	**38 175**	36	38 131
– Cross-border (rest of Africa)	**12 033**	8 198	47	**4**	**8 006**	50	8 006
HQLA corporate advances	**14 644**	16 980	(14)	**5**	**18 634**	(21)	18 629
RMB rest of Africa (in-country)	**9 213**	7 344	25	**3**	**7 961**	16	7 954
CIB total core advances	**317 350**	288 212	10	**100**	**290 734**	9	290 717
CIB core advances – South Africa*	**265 026**	250 387	6	**84**	**246 916**	7	246 906
CIB core advances – rest of Africa**	**52 324**	37 825	38	**16**	**43 818**	19	43 811
CIB total core advances	**317 350**	288 212	10	**100**	**290 734**	9	290 717

* *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, RMB CB cross-border core advances and RMB rest of Africa in-country advances.*

SECTOR AND GEOGRAPHICAL ANALYSIS OF ADVANCES

	Advances						
	As at 31 December					As at 1 July	As at 30 June
R million	**2018 IFRS 9**	2017 IAS 39	Dec 18 IFRS 9 vs Dec 17 IAS 39 % change	**2018 % composition**	2017 % composition	**2018 IFRS 9***	2018 IAS 39
Gross advances	**1 205 114**	947 174	27	**100**	100	**1 142 476**	1 142 561
Less: interest in suspense	**–**	(2 166)	–	**–**	–	**–**	(2 079)
Advances net of interest in suspense	**1 205 114**	945 008	28	**100**	100	**1 142 476**	1 140 482
Sector analysis							
Agriculture**	**40 085**	32 669	23	**3**	3		37 323
Banks	**16 374**	19 524	(16)	**1**	2		21 729
Financial institutions	**156 012**	144 835	8	**13**	15		143 962
Building and property development**	**63 825**	50 348	27	**5**	5		63 603
Government, Land Bank and public authorities	**24 098**	25 000	(4)	**2**	3		24 406
Individuals**	**582 997**	443 452	31	**49**	48		564 685
Manufacturing and commerce**	**134 148**	113 478	18	**11**	12		127 665
Mining	**13 117**	11 470	14	**1**	1		12 974
Transport and communication**	**31 469**	18 972	66	**3**	2		26 424
Other services**	**142 989**	85 260	68	**12**	9		117 711
Total advances including Aldermore	**1 205 114**	945 008	28	**100**	100		1 140 482
Geographic analysis							
South Africa	**839 415**	773 308	9	**70**	82		789 858
Other Africa	**100 723**	86 177	17	**8**	9		95 521
UK*	**236 976**	72 670	>100	**20**	8		235 719
Other Europe	**15 636**	5 759	>100	**1**	1		12 177
North America	**3 751**	2 058	82	**–**	–		1 617
South America	**3**	–	–	**–**	–		260
Australasia	**622**	471	32	**–**	–		631
Asia	**7 988**	4 565	75	**1**	–		4 699
Total advances including Aldermore	**1 205 114**	945 008	28	**100**	100		1 140 482

* *IFRS 9 comparatives were not prepared for 1 July 2018 as this was not required in terms of IFRS 9 transition requirements.*

** *2018 numbers include Aldermore.*

Credit continued

NOTE 2: ANALYSIS OF STAGE 3/NPLs

Segmental analysis of stage 3/NPLs.

	Stage 3/NPLs				
	As at 31 December			As at 1 July	
R million	**2018 IFRS 9**	2017 IAS 39	**2018 % composition**	**2018 IFRS 9**	Dec 18 IFRS 9 vs 1 Jul 18 IFRS 9 % change
Retail	**24 762**	15 706	**64**	**21 483**	15
Retail – secured	**16 288**	11 036	**42**	**15 849**	3
Residential mortgages	**8 081**	4 535	**21**	**7 934**	2
VAF	**8 207**	6 501	**21**	**7 915**	4
– SA	**7 099**	6 104	**18**	**6 877**	3
– MotoNovo*	**1 108**	397	**3**	**1 038**	7
Retail – unsecured	**8 474**	4 670	**22**	**5 634**	50
Card	**1 833**	993	**5**	**1 159**	58
– FNB	**1 691**	867	**4**	**1 018**	66
– Discovery	**142**	126	**1**	**141**	1
Personal loans	**4 975**	2 881	**13**	**3 427**	45
– FNB	**2 476**	1 274	**7**	**1 531**	62
– DirectAxis loans**	**2 478**	1 595	**6**	**1 874**	32
– MotoNovo	**21**	12	**–**	**22**	(5)
Retail other	**1 666**	796	**4**	**1 048**	59
Corporate and commercial	**7 752**	3 419	**20**	**6 365**	22
FNB commercial	**3 925**	2 235	**10**	**3 350**	17
WesBank corporate	**471**	240	**1**	**394**	20
RMB investment banking#	**2 678**	909	**7**	**2 447**	9
RMB corporate banking#	**678**	35	**2**	**174**	>100
HQLA corporate advances†	**–**	–	**–**	**–**	–
Rest of Africa	**4 312**	2 857	**11**	**3 942**	9
FNB‡	**4 296**	2 791	**11**	**3 859**	11
RMB (corporate and investment banking)	**16**	66	**–**	**83**	(81)
FCC (including Group Treasury)	**–**	–	**–**	**–**	–
Securitisation notes	**–**	–	**–**	**–**	–
Other	**–**	–	**–**	**–**	–
Total stage 3/NPLs excl. Aldermore	**36 826**	21 982	**95**	**31 790**	16
Aldermore^	**1 762**	–	**5**	**1 724**	2
Total stage 3/NPLs incl. Aldermore◊	**38 588**	21 982	**100**	**33 514**	15
Of which:					
Accrual book	**38 289**	21 656	**99**	**33 191**	15
Fair value book	**299**	326	**1**	**323**	(7)

	Stage 3/NPLs as % of advances			
As at 30 June	As at 31 December		As at 1 July	As at 30 June
2018 IAS 39	**2018 IFRS 9**	2017 IAS 39	**2018 IFRS 9**	2018 IAS 39
17 681	**5.40**	3.68	**4.80**	3.96
12 448	**4.34**	3.10	**4.27**	3.36
5 075	**3.84**	2.28	**3.86**	2.48
7 373	**4.97**	4.13	**4.79**	4.46
6 818	**6.72**	5.88	**6.56**	6.50
555	**1.86**	0.74	**1.72**	0.92
5 233	**10.22**	6.67	**7.39**	6.87
1 082	**6.30**	3.96	**4.27**	3.99
952	**6.82**	4.17	**4.46**	4.18
130	**3.29**	2.96	**3.24**	2.99
3 159	**13.52**	9.65	**10.32**	9.52
1 337	**12.34**	8.75	**8.90**	7.79
1 800	**15.60**	11.10	**12.51**	12.01
22	**2.51**	1.28	**2.12**	2.13
992	**9.81**	5.27	**6.59**	6.26
5 387	**1.63**	0.82	**1.47**	1.25
2 714	**4.02**	2.54	**3.54**	2.89
244	**1.56**	0.81	**1.22**	0.76
2 299	**1.00**	0.39	**1.02**	0.95
130	**1.05**	0.07	**0.37**	0.28
–	**–**	–	**–**	–
3 263	**6.76**	4.85	**6.39**	5.34
3 187	**7.88**	5.42	**7.18**	6.00
76	**0.17**	0.90	**1.04**	0.96
–	**–**	–	**–**	–
–	**–**	–	**–**	–
–	**–**	–	**–**	–
26 331	**3.57**	2.33	**3.25**	2.70
616	**1.02**	–	**1.05**	0.38
26 947	**3.20**	2.33	**2.93**	2.36
26 131	**3.38**	2.95	**3.05**	2.78
816	**0.41**	0.15	**0.60**	0.41

* *MotoNovo VAF NPLs = £60 million (+6% from 1 July 2018) (December 2017 IAS 39: £24 million; 1 July 2018: £57 million).*

** *Formerly called WesBank loans.*

\# *Includes activities in India and represents the in-country balance sheet.*

† *Managed by the Group Treasurer.*

‡ *Prior year adjusted with the reallocation of WesBank Africa to FNB Africa.*

^ *Aldermore NPLs = £96 million (+1% from 1 July 2018) (1July 2018: £95 million).*

◊ *Total stage 3/NPLs at 31 December 2018 include R2 241 million ISP recognised on IFRS 9 transition.*

Credit continued

SECTOR AND GEOGRAPHICAL ANALYSIS OF NPLs

	Stage 3/NPLs			
	As at 31 December			As at 30 June
R million	**2018 IFRS 9**	2017 IAS 39	**2018 % composition**	2018 IAS 39
Sector analysis				
Agriculture	**2 018**	941	**5**	1 307
Financial institutions	**533**	332	**1**	471
Building and property development	**1 733**	981	**5**	1 191
Government, Land Bank and public authorities	**572**	14	**2**	322
Individuals	**26 045**	15 964	**67**	18 286
Manufacturing and commerce	**3 651**	1 864	**9**	3 256
Mining	**196**	137	**1**	169
Transport and communication	**502**	353	**1**	342
Other services	**3 338**	1 396	**9**	1 603
Total stage 3/NPLs including Aldermore	**38 588**	21 982	**100**	26 947
Geographic analysis				
South Africa	**30 948**	18 566	**80**	22 121
Other Africa	**4 560**	2 890	**12**	3 430
UK	**2 792**	409	**8**	1 193
Other Europe	**100**	67	**–**	75
Australasia	**127**	–	**–**	128
Asia	**61**	50	**–**	–
Total stage 3/NPLs including Aldermore	**38 588**	21 982	**100**	26 947

	Stage 3/NPLs as % of advances		
	As at 31 December		As at 30 June
	2018 IFRS 9	2017 IAS 39	2018 IAS 39
	5.03	2.88	3.50
	0.34	0.23	0.33
	2.72	1.95	1.87
	2.37	0.06	1.32
	4.47	3.60	3.24
	2.72	1.64	2.55
	1.49	1.19	1.30
	1.60	1.86	1.29
	2.33	1.64	1.36
	3.20	2.33	2.36
	3.69	2.40	2.80
	4.53	3.35	3.59
	1.18	0.56	0.51
	0.64	1.16	0.62
	20.42	–	20.29
	0.76	1.10	–
	3.20	2.33	2.36

Credit continued

SECURITY AND RECOVERABLE AMOUNTS BY PORTFOLIO

	As at 31 December 2018			As at 31 December 2017		
	IFRS 9			IAS 39		
R million	**Stage 3/NPLs**	**Security held and expected recoveries**	**Specific impairment**	Stage 3/NPLs	Security held and expected recoveries	Specific impairment
Retail	**24 762**	**13 502**	**11 260**	15 706	10 076	5 630
Retail – secured	**16 288**	**11 712**	**4 576**	11 036	7 992	3 044
Residential mortgages	**8 081**	**6 261**	**1 820**	4 535	3 516	1 019
VAF	**8 207**	**5 451**	**2 756**	6 501	4 476	2 025
– SA	**7 099**	**4 809**	**2 290**	6 104	4 310	1 794
– MotoNovo	**1 108**	**642**	**466**	397	166	231
Retail – unsecured	**8 474**	**1 790**	**6 684**	4 670	2 084	2 586
Card	**1 833**	**323**	**1 510**	993	329	664
– FNB	**1 691**	**316**	**1 375**	867	284	583
– Discovery	**142**	**7**	**135**	126	45	81
Personal loans	**4 975**	**1 170**	**3 805**	2 881	1 516	1 365
– FNB	**2 476**	**490**	**1 986**	1 274	504	770
– DirectAxis loans*	**2 478**	**679**	**1 799**	1 595	1 011	584
– MotoNovo	**21**	**1**	**20**	12	1	11
Retail other	**1 666**	**297**	**1 369**	796	239	557
Corporate and commercial	**7 752**	**3 875**	**3 877**	3 419	1 871	1 548
FNB commercial	**3 925**	**1 820**	**2 105**	2 235	1 278	957
WesBank corporate	**471**	**294**	**177**	240	124	116
RMB investment banking**	**2 678**	**1 475**	**1 203**	909	448	461
RMB corporate banking**	**678**	**286**	**392**	35	21	14
HQLA corporate advances#	**–**	**–**	**–**	–	–	–
Rest of Africa	**4 312**	**1 870**	**2 442**	2 857	1 770	1 087
FNB†	**4 296**	**1 870**	**2 426**	2 791	1 731	1 060
RMB (corporate and investment banking)	**16**	**–**	**16**	66	39	27
FCC (including Group Treasury)	**–**	**–**	**–**	–	–	–
Securitisation notes	**–**	**–**	**–**	–	–	–
Other	**–**	**–**	**–**	–	–	–
Total excluding Aldermore	**36 826**	**19 247**	**17 579**	21 982	13 717	8 265
Aldermore	**1 762**	**1 467**	**295**	–	–	–
Total including Aldermore	**38 588**	**20 714**	**17 874**	21 982	13 717	8 265

* *Formerly called WesBank loans.*

** *Includes activities in India and represents the in-country balance sheets.*

Managed by the Group Treasurer.

† *Prior year adjusted with the reallocation of WesBank Africa to FNB Africa.*

	As at 1 July 2018			As at 30 June 2018		
	IFRS 9			IAS 39		
	Stage 3/NPLs	**Security held and expected recoveries**	**Specific impairment**	Stage 3/NPLs	Security held and expected recoveries	Specific impairment
	21 483	**12 846**	**8 637**	17 681	11 520	6 161
	15 849	**11 496**	**4 353**	12 448	9 214	3 234
	7 934	**6 219**	**1 715**	5 075	4 170	905
	7 915	**5 277**	**2 638**	7 373	5 044	2 329
	6 877	**4 674**	**2 203**	6 818	4 808	2 010
	1 038	**603**	**435**	555	236	319
	5 634	**1 350**	**4 284**	5 233	2 306	2 927
	1 159	**163**	**996**	1 082	358	724
	1 018	**148**	**870**	952	314	638
	141	**15**	**126**	130	44	86
	3 427	**979**	**2 448**	3 159	1 674	1 485
	1 531	**480**	**1 051**	1 337	537	800
	1 874	**509**	**1 365**	1 800	1 135	665
	22	**(10)**	**32**	22	2	20
	1 048	**208**	**840**	992	274	718
	6 365	**3 078**	**3 287**	5 387	3 208	2 179
	3 350	**1 452**	**1 898**	2 714	1 699	1 015
	394	**245**	**149**	244	128	116
	2 447	**1 266**	**1 181**	2 299	1 265	1 034
	174	**115**	**59**	130	116	14
	–	**–**	**–**	–	–	–
	3 942	**1 755**	**2 187**	3 263	1 752	1 511
	3 859	**1 714**	**2 145**	3 187	1 711	1 476
	83	**41**	**42**	76	41	35
	–	**–**	**–**	–	–	–
	–	**–**	**–**	–	–	–
	–	**–**	**–**	–	–	–
	31 790	**17 679**	**14 111**	26 331	16 480	9 851
	1 724	**1 492**	**232**	616	475	141
	33 514	**19 171**	**14 343**	26 947	16 955	9 992

Credit continued

NOTE 3: ANALYSIS OF INCOME STATEMENT CREDIT IMPAIRMENTS

INCOME STATEMENT IMPAIRMENTS

	Total impairment charge			
	Six months ended 31 December		Dec 18 IFRS 9 vs Dec 17 IAS 39	Year ended 30 June
R million	**2018 IFRS 9**	2017 IAS 39	% change	2018 IAS 39
Retail	**3 705**	3 370	10	6 774
Retail – secured	**1 337**	1 491	(10)	2 920
Residential mortgages	**93**	144	(35)	149
VAF	**1 244**	1 347	(8)	2 771
– SA	**778**	925	(16)	1 944
– MotoNovo*	**466**	422	10	827
Retail – unsecured	**2 368**	1 879	26	3 854
Card	**385**	295	31	670
– FNB	**349**	263	33	599
– Discovery	**36**	32	13	71
Personal loans	**1 300**	949	37	2 013
– FNB	**655**	400	64	793
– DirectAxis loans**	**664**	527	26	1 171
– MotoNovo	**(19)**	22	(>100)	49
Retail other	**683**	635	8	1 171
Corporate and commercial	**684**	354	93	951
FNB commercial	**376**	333	13	670
WesBank corporate	**78**	18	>100	48
RMB investment banking#	**218**	(3)	(>100)	230
RMB corporate banking#	**12**	6	100	3
HQLA corporate advances†	**–**	–	–	–
Rest of Africa	**437**	441	(1)	1 028
FNB‡	**434**	444	(2)	1 018
RMB (corporate and investment banking)	**3**	(3)	(>100)	10
FCC (including Group Treasury)†	**3**	(113)	(>100)	(232)
Securitisation notes	**3**	–	–	–
Other	**–**	(113)	–	(232)
Total impairment charge excluding Aldermore	**4 829**	4 052	19	8 521
Aldermore^	**192**	–	–	46
Total impairment charge including Aldermore	**5 021**	4 052	24	8 567
Of which:				
Portfolio impairments charge	**1 693**	605	>100	496
Specific impairments charge	**3 328**	3 447	(3)	8 071

As % of average advances			
Six months ended 31 December		Year ended 30 June	Six months ended 30 June
2018 IFRS 9	2017 IAS 39	2018 IAS 39	2018 IAS 39
1.64	1.60	1.57	1.56
0.72	0.84	0.81	0.79
0.09	0.15	0.07	–
1.51	1.72	1.73	1.76
1.48	1.80	1.88	1.95
1.55	1.58	1.46	1.42
5.95	5.48	5.38	5.40
2.74	2.41	2.63	2.87
2.93	2.60	2.83	3.08
1.66	1.51	1.66	1.81
7.43	6.51	6.53	6.75
7.03	5.53	5.03	4.96
8.60	7.54	8.20	8.78
(4.06)	6.15	6.41	5.48
8.31	8.48	7.62	6.93
0.30	0.17	0.23	0.28
0.78	0.77	0.75	0.74
0.50	0.12	0.15	0.19
0.17	–	0.10	0.20
0.04	0.03	0.01	(0.01)
–	–	–	–
1.39	1.49	1.71	1.96
1.60	1.70	1.92	2.19
0.07	(0.09)	0.14	0.34
0.02	(0.02)	(0.02)	(0.02)
0.02	–	–	–
–	(0.02)	(0.02)	(0.02)
0.96	0.87	0.90	0.86
0.23	–	0.12	0.11
0.86	0.87	0.84	0.87
0.29	0.13	0.05	(0.02)
0.57	0.74	0.79	0.89

* *MotoNovo VAF impairment charge = £25 million (+6%) (December 2017: £24 million; June 2018: £48 million).*

** *Formerly called WesBank loans.*

\# *Includes activities in India and represents the in-country balance sheets.*

† *Managed by the Group Treasurer.*

‡ *Prior year adjusted with the reallocation of WesBank Africa to FNB Africa.*

^ *Aldermore total impairment charge = £11 million (June 2018: £3 million for three months included).*

Credit continued

NOTE 4: ANALYSIS OF BALANCE SHEET IMPAIRMENTS (STAGE 1 AND 2)

	Total portfolio impairments			
	As at 31 December			
			IFRS 9	
R million	2018 IFRS 9	2017 IAS 39	Stage 1	Stage 2
Portfolio impairments				
Retail	**7 818**	3 753	**4 273**	**3 545**
Retail – secured	**3 326**	1 631	**1 382**	**1 944**
Residential mortgages	**664**	495	**278**	**386**
VAF	**2 662**	1 136	**1 104**	**1 558**
– SA	**1 881**	898	**697**	**1 184**
– MotoNovo	**781**	238	**407**	**374**
Retail – unsecured	**4 492**	2 122	**2 891**	**1 601**
Card	**858**	372	**571**	**287**
– FNB	**751**	320	**495**	**256**
– Discovery	**107**	52	**76**	**31**
Personal loans	**2 415**	1 101	**1 486**	**929**
– FNB	**1 360**	635	**835**	**525**
– DirectAxis loans*	**972**	447	**583**	**389**
– MotoNovo	**83**	19	**68**	**15**
Retail other	**1 219**	649	**834**	**385**
Corporate and commercial	**4 343**	4 324	**1 632**	**2 711**
FNB commercial	**1 459**	570	**695**	**764**
WesBank corporate	**185**	213	**102**	**83**
RMB investment banking#	**2 114**	2 658	**793**	**1 321**
RMB corporate banking#	**585**	883	**42**	**543**
HQLA corporate advances	**–**	–	**–**	**–**
Rest of Africa	**1 403**	643	**609**	**794**
FNB**	**1 172**	564	**453**	**719**
RMB (corporate and investment banking)	**231**	79	**156**	**75**
FCC (including Group Treasury)	**651**	291	**501**	**150**
Securitisation notes	**27**	–	**27**	**–**
Other	**624**	291	**474**	**150**
Total portfolio impairments excluding Aldermore	**14 215**	9 011	**7 015**	**7 200**
Aldermore	**481**	–	**318**	**163**
Total portfolio impairments including Aldermore	**14 696**	9 011	**7 333**	**7 363**

* *Formerly called WesBank loans.*

** *Prior year adjusted with the reallocation of WesBank Africa to FNB Africa.*

Includes activities in India and represents the in-country balance sheet.

Total portfolio impairments			Performing book coverage ratios (% of performing advances)					
As at 1 July		As at 30 June	As at 31 December				As at 1 July	As at 30 June
			IFRS 9					
2018 IFRS 9	Dec 18 IFRS 9 vs 1 Jul 18 IFRS 9 % change	2018 IAS 39	**Stage 1**	**Stage 2**	**2018 IFRS 9**	2017 IAS 39	**2018 IFRS 9**	2018 IAS 39
7 630	2	4 059	**1.06**	**11.75**	**1.80**	0.91	**1.79**	0.95
3 354	(1)	1 850	**0.41**	**7.83**	**0.93**	0.47	**0.94**	0.52
647	3	566	**0.15**	**3.20**	**0.33**	0.25	**0.33**	0.28
2 707	(2)	1 284	**0.77**	**12.22**	**1.70**	0.75	**1.72**	0.81
1 917	(2)	918	**0.78**	**12.55**	**1.91**	0.92	**1.96**	0.94
790	(1)	366	**0.74**	**11.29**	**1.34**	0.45	**1.33**	0.61
4 276	5	2 209	**4.19**	**29.85**	**6.04**	3.25	**6.05**	3.11
809	6	407	**2.20**	**21.93**	**3.15**	1.55	**3.11**	1.56
699	7	354	**2.26**	**20.71**	**3.25**	1.60	**3.21**	1.62
110	(3)	53	**1.85**	**42.47**	**2.56**	1.26	**2.61**	1.26
2 284	6	1 309	**5.14**	**31.83**	**7.59**	4.08	**7.67**	4.36
1 289	6	751	**5.22**	**32.73**	**7.73**	4.78	**8.23**	4.75
893	9	536	**4.81**	**29.99**	**7.25**	3.50	**6.81**	4.07
102	(19)	22	**8.54**	**83.33**	**10.20**	2.06	**10.05**	2.17
1 183	3	493	**5.88**	**33.89**	**7.96**	4.54	**7.96**	3.32
4 636	(6)	3 966	**0.39**	**5.49**	**0.93**	1.04	**1.09**	0.93
1 559	(6)	537	**0.81**	**9.74**	**1.56**	0.67	**1.71**	0.59
184	1	196	**0.36**	**4.89**	**0.62**	0.72	**0.58**	0.61
2 007	5	2 351	**0.34**	**3.82**	**0.79**	1.14	**0.84**	0.99
886	(34)	882	**0.07**	**10.80**	**0.91**	1.82	**1.91**	1.90
–	–	–	**–**	**–**	**–**	–	**–**	–
1 415	(1)	745	**1.11**	**17.45**	**2.36**	1.15	**2.45**	1.29
1 208	(3)	648	**0.98**	**17.00**	**2.33**	1.16	**2.42**	1.30
207	12	97	**1.76**	**23.51**	**2.51**	1.09	**2.63**	1.23
649	–	175	**1.47**	**–**	**1.91**	0.70	**1.75**	0.47
25	8	–	**0.10**	**–**	**0.10**	–	**0.11**	–
624	–	175	**5.82**	**–**	**7.66**	1.66	**4.68**	1.31
14 330	(1)	8 945	**0.77**	**8.56**	**1.43**	0.98	**1.51**	0.94
405	19	318	**0.20**	**1.56**	**0.28**	–	**0.25**	0.19
14 735	–	9 263	**0.68**	**7.79**	**1.26**	0.98	**1.33**	0.83

Credit continued

NOTE 4: ANALYSIS OF BALANCE SHEET STAGE 3/SPECIFIC IMPAIRMENTS AND COVERAGE RATIOS

IMPLIED LOSS GIVEN DEFAULT AND TOTAL IMPAIRMENT COVERAGE RATIOS

	Balance sheet impairments		
	As at 31 December		As at 1 July
R million	2018 IFRS 9	2017 IAS 39	2018 IFRS 9
Specific impairments			
Retail	**11 260**	5 630	**8 637**
Retail – secured	**4 576**	3 044	**4 353**
Residential mortgages	**1 820**	1 019	**1 715**
VAF	**2 756**	2 025	**2 638**
– SA	**2 290**	1 794	**2 203**
– MotoNovo	**466**	231	**435**
Retail – unsecured	**6 684**	2 586	**4 284**
Card	**1 510**	664	**996**
– FNB	**1 375**	583	**870**
– Discovery	**135**	81	**126**
Personal loans	**3 805**	1 365	**2 448**
– FNB	**1 986**	770	**1 051**
– DirectAxis loans*	**1 799**	584	**1 365**
– MotoNovo	**20**	11	**32**
Retail other	**1 369**	557	**840**
Corporate and commercial	**3 877**	1 548	**3 287**
FNB commercial	**2 105**	957	**1 898**
WesBank corporate	**177**	116	**149**
RMB investment banking**	**1 203**	461	**1 181**
RMB corporate banking**	**392**	14	**59**
HQLA corporate advances#	**–**	–	**–**
Rest of Africa	**2 442**	1 087	**2 187**
FNB†	**2 426**	1 060	**2 145**
RMB (corporate and investment banking)	**16**	27	**42**
FCC (including Group Treasury)	**–**	–	**–**
Securitisation notes	**–**	–	**–**
Other	**–**	–	**–**
Total specific impairments/stage 3/implied loss given default excluding Aldermore‡,^	**17 579**	8 265	**14 111**
Aldermore	**295**	–	**232**
Total specific impairments/stage 3/implied loss given default including Aldermore‡,^	**17 874**	8 265	**14 343**
Portfolio impairments excluding Aldermore◊	**14 215**	9 011	**14 330**
Portfolio impairments including Aldermore◊	**14 696**	9 011	**14 735**
Total impairments/total impairment coverage ratio excluding Aldermore§,^	**31 794**	17 276	**28 441**
Total impairments/total impairment coverage ratio including Aldermore§,^	**32 570**	17 276	**29 078**

Balance sheet impairments		Coverage ratios (% of stage 3/NPLs)			
	As at 30 June	As at 31 December		As at 1 July	As at 30 June
Dec 18 IFRS 9 vs 1 Jul 18 IFRS 9 % change	2018 IAS 39	**2018 IFRS 9**	2017 IAS 39	**2018 IFRS 9**	2018 IAS 39
30	6 161	**45.5**	35.8	**40.2**	34.8
5	3 234	**28.1**	27.6	**27.5**	26.0
6	905	**22.5**	22.5	**21.6**	17.8
4	2 329	**33.6**	31.1	**33.3**	31.6
4	2 010	**32.3**	29.4	**32.0**	29.5
7	319	**42.1**	58.2	**41.9**	57.5
56	2 927	**78.9**	55.4	**76.0**	55.9
52	724	**82.4**	66.9	**85.9**	66.9
58	638	**81.3**	67.2	**85.5**	67.0
7	86	**95.1**	64.3	**89.4**	66.2
55	1 485	**76.5**	47.4	**71.4**	47.0
89	800	**80.2**	60.4	**68.6**	59.8
32	665	**72.6**	36.6	**72.8**	36.9
(38)	20	**95.2**	91.7	**145.5**	90.9
63	718	**82.2**	70.0	**80.2**	72.4
18	2 179	**50.0**	45.3	**51.6**	40.4
11	1 015	**53.6**	42.8	**56.7**	37.4
19	116	**37.6**	48.3	**37.8**	47.5
2	1 034	**44.9**	50.7	**48.3**	45.0
>100	14	**57.8**	40.0	**33.9**	10.8
–	–	**–**	–	**–**	–
12	1 511	**56.6**	38.0	**55.5**	46.3
13	1 476	**56.5**	38.0	**55.6**	46.3
(62)	35	**100.0**	40.9	**50.6**	46.1
–	–	**–**	–	**–**	–
–	–	**–**	–	**–**	–
–	–	**–**	–	**–**	–
25	9 851	**47.7**	37.6	**44.4**	37.4
27	141	**16.7**	–	**13.5**	22.9
25	9 992	**46.3**	37.6	**42.8**	37.1
(1)	8 945	**38.6**	41.0	**45.1**	34.0
–	9 263	**38.1**	41.0	**44.0**	34.4
12	18 796	**86.3**	78.6	**89.5**	71.4
12	19 255	**84.4**	78.6	**86.8**	71.5

* *Formerly called WesBank loans.*

** *Includes activities in India and represents the in-country balance sheet.*

Managed by the Group Treasurer.

† *Prior year adjusted with the reallocation of WesBank Africa to FNB Africa.*

‡ *Specific impairments as a % of stage 3/NPLs.*

^ *Stage 3 impairments at 31 December 2018 include R1 645 million ISP recognised on IFRS 9 transition.*

◊ *Portfolio impairments as a % of stage 3/NPLs.*

§ *Total impairments as a % of stage 3/NPLs.*

Credit continued

NOTE 4: ANALYSIS OF BALANCE SHEET TOTAL IMPAIRMENTS AND COVERAGE RATIOS

	Balance sheet impairments				
	As at 31 December		As at 1 July		As at 30 June
R million	**2018 IFRS 9**	2017 IAS 39	**2018 IFRS 9**	Dec 18 IFRS 9 vs 1 Jul 18 IFRS 9 % change	2018 IAS 39
Retail	**19 078**	9 383	**16 267**	17	10 220
Retail – secured	**7 902**	4 675	**7 707**	3	5 084
Residential mortgages	**2 484**	1 514	**2 362**	5	1 471
VAF	**5 418**	3 161	**5 345**	1	3 613
– SA	**4 171**	2 692	**4 120**	1	2 928
– MotoNovo	**1 247**	469	**1 225**	2	685
Retail – unsecured	**11 176**	4 708	**8 560**	31	5 136
Card	**2 368**	1 036	**1 805**	31	1 131
– FNB	**2 126**	903	**1 569**	36	992
– Discovery	**242**	133	**236**	3	139
Personal loans	**6 220**	2 466	**4 732**	31	2 794
– FNB	**3 346**	1 405	**2 340**	43	1 551
– DirectAxis loans*	**2 771**	1 031	**2 258**	23	1 201
– MotoNovo	**103**	30	**134**	(23)	42
Retail other	**2 588**	1 206	**2 023**	28	1 211
Corporate and commercial	**8 220**	5 872	**7 923**	4	6 145
FNB commercial	**3 564**	1 527	**3 457**	3	1 552
WesBank corporate	**362**	329	**333**	9	312
RMB investment banking**	**3 317**	3 119	**3 188**	4	3 385
RMB corporate banking**	**977**	897	**945**	3	896
HQLA corporate advances#	**–**	–	**–**	–	–
Rest of Africa	**3 845**	1 730	**3 602**	7	2 256
FNB†	**3 598**	1 624	**3 353**	7	2 124
RMB (corporate and investment banking)	**247**	106	**249**	(1)	132
FCC (including Group Treasury)	**651**	291	**649**	–	175
Securitisation notes	**27**	–	**25**	8	–
Other	**624**	291	**624**	–	175
Total impairments excluding Aldermore	**31 794**	17 276	**28 441**	12	18 796
Aldermore	**776**	–	**637**	22	459
Total impairments/total impairment coverage ratio including Aldermore‡	**32 570**	17 276	**29 078**	12	19 255

Coverage ratios (% of stage 3/NPLs)			
As at 31 December		As at 1 July	As at 30 June
2018 IFRS 9	2017 IAS 39	**2018 IFRS 9**	2018 IAS 39
77.0	59.7	**75.7**	57.8
48.5	42.4	**48.6**	40.8
30.7	33.4	**29.8**	29.0
66.0	48.6	**67.5**	49.0
58.8	44.1	**59.9**	42.9
112.5	118.1	**118.0**	123.4
131.9	100.8	**151.9**	98.1
129.2	104.3	**155.7**	104.5
125.7	104.2	**154.1**	104.2
170.4	105.6	**167.4**	106.9
125.0	85.6	**138.1**	88.4
135.1	110.3	**152.8**	116.0
111.8	64.6	**120.5**	66.7
490.5	250.0	**609.1**	190.9
155.3	151.5	**193.0**	122.1
106.0	171.7	**124.5**	114.1
90.8	68.3	**103.2**	57.2
76.9	137.1	**84.5**	127.9
123.9	343.1	**130.3**	147.2
144.1	2 562.9	**543.1**	689.2
–	–	**–**	–
89.2	60.6	**91.4**	69.1
83.8	58.2	**86.9**	66.6
1 543.8	160.6	**300.0**	173.7
1.7	1.3	**1.9**	0.6
0.1	–	**0.1**	–
1.6	1.3	**1.9**	0.6
86.3	78.6	**89.5**	71.4
44.0	–	**36.9**	74.5
84.4	78.6	**86.8**	71.5

* *Formerly called WesBank loans.*

** *Includes activities in India and represents the in-country balance sheet.*

\# *Managed by the Group Treasurer.*

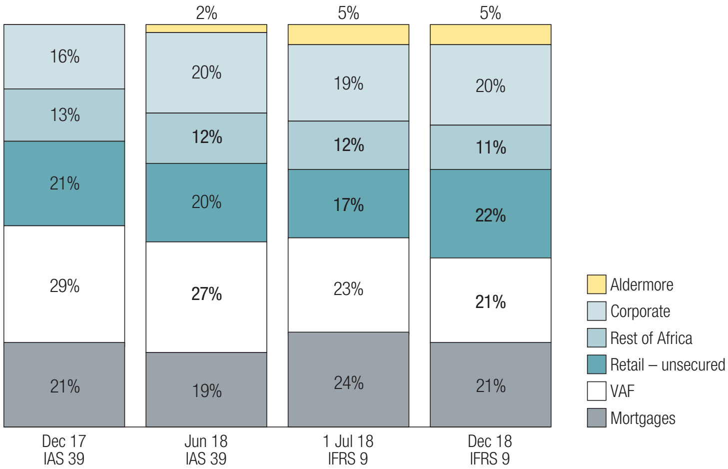
† *Prior year adjusted with the reallocation of WesBank Africa to FNB Africa.*

‡ *Stage 3 impairments at 31 December 2018 include R1 645 million ISP recognised on IFRS 9 transition.*

Credit continued

The graph below provides the NPL distribution over the last two financial years across all portfolios.

NPL DISTRIBUTION



RECONCILIATION OF IMPAIRMENTS

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

BALANCE SHEET AMORTISED COST IMPAIRMENTS AND CREDIT FAIR VALUE ADJUSTMENTS

	Amortised cost book				Fair value book				Total book			
	As at 31 December		As at 1 July	As at 30 June	As at 31 December		As at 1 July	As at 30 June	As at 31 December		As at 1 July	As at 30 June
R million	**2018 IFRS 9**	2017 IAS 39	**2018 IFRS 9**	2018 IAS 39	**2018 IFRS 9**	2017 IAS 39	**2018 IFRS 9**	2018 IAS 39	**2018 IFRS 9**	2017 IAS 39	**2018 IFRS 9**	2018 IAS 39
Non-performing book	**17 675**	8 115	**14 137**	9 594	**199**	150	**206**	398	**17 874**	8 265	**14 343**	9 992
Performing book	**14 397**	6 913	**14 453**	7 823	**299**	2 098	**282**	1 440	**14 696**	9 011	**14 735**	9 263
Total impairments incl. Aldermore	**32 072**	15 028	**28 590**	17 417	**498**	2 248	**488**	1 838	**32 570**	17 276	**29 078**	19 255

The following table provides an analysis of balance sheet impairments.

TOTAL BALANCE SHEET IMPAIRMENTS

	As at 31 December		As at 30 June
R million	**2018 IFRS 9***	2017 IAS 39	2018 IAS 39*
Opening balance	**19 255**	16 960	16 960
IFRS 9 adjustments	**9 823**	–	–
Restated opening balance	**29 078**	16 960	16 960
Transfers to non-current assets held for sale	**4**	39	39
Acquisitions	**–**	(100)	466
Exchange rate difference	**(18)**	(120)	167
Unwinding and discounted present value on NPLs	**–**	(69)	(124)
Bad debts written off	**(3 475)**	(4 673)	(9 154)
Net new impairments created	**6 095**	5 139	10 901
Interest suspended	**886**	–	–
Closing balance	**32 570**	17 276	19 255

* *Includes Aldermore.*

INCOME STATEMENT IMPAIRMENTS

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

	Six months ended 31 December			Year ended 30 June
R million	**2018 IFRS 9**	2017 IAS 39	% change	2018 IAS 39
Specific impairment charge	**4 492**	4 533	(1)	10 405
Specific impairment charge – amortised cost	**4 492**	4 545	(1)	10 194
Credit fair value adjustments – non-performing book	**–**	(12)	(100)	211
Portfolio impairment charge	**1 603**	606	>100	496
Portfolio impairment charge – amortised cost	**1 597**	762*	>100	1 293*
Credit fair value adjustments – performing book	**6**	(156)*	(>100)	(797)*
Total impairments before recoveries and modifications	**6 095**	5 139	19	10 901
Modification losses	**277**	–	–	–
Recoveries of bad debts written off	**(1 351)**	(1 087)	24	(2 334)
Total impairments including Aldermore	**5 021**	4 052	24	8 567

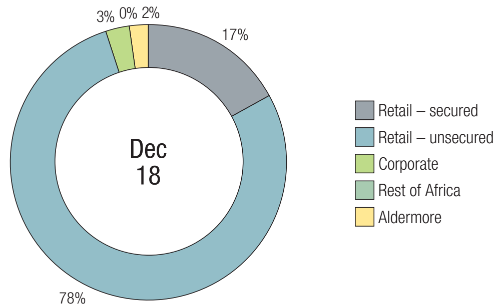
* *In anticipation of the adoption of IFRS 9, a significant portion of new originated investment banking advances in RMB, which would previously have been recognised at fair value, is now recognised as amortised cost advances. This has resulted in a shift between fair value and amortised cost performing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

Credit continued

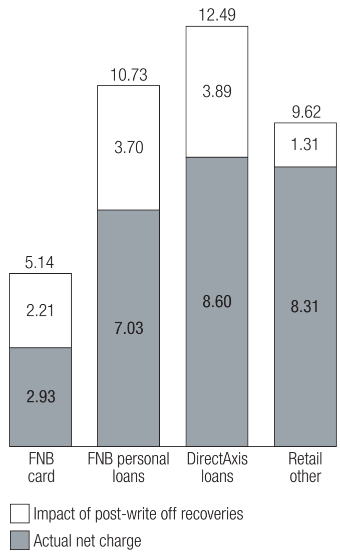
IMPACT OF POST WRITE-OFF RECOVERIES

Post write-off recoveries amounted to R1 351 million (December 2017: R1 087 million; June 2018: R2 334 million), primarily emanating from the unsecured retail lending portfolios, specifically FNB loans, DirectAxis loans and FNB card.

POST WRITE-OFF RECOVERIES



RETAIL UNSECURED CREDIT LOSS RATIOS AND RECOVERIES
%

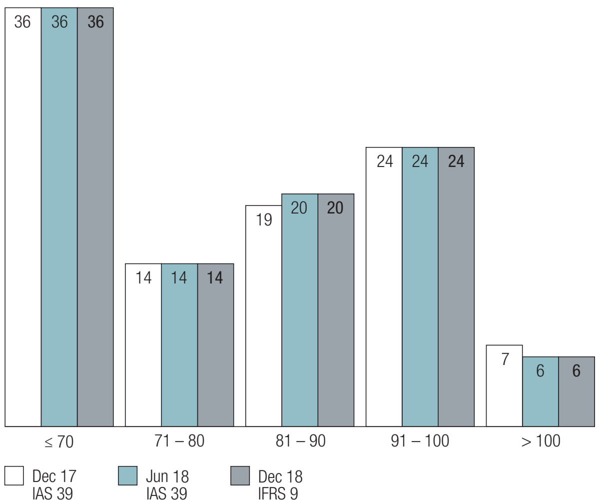


RISK ANALYSIS

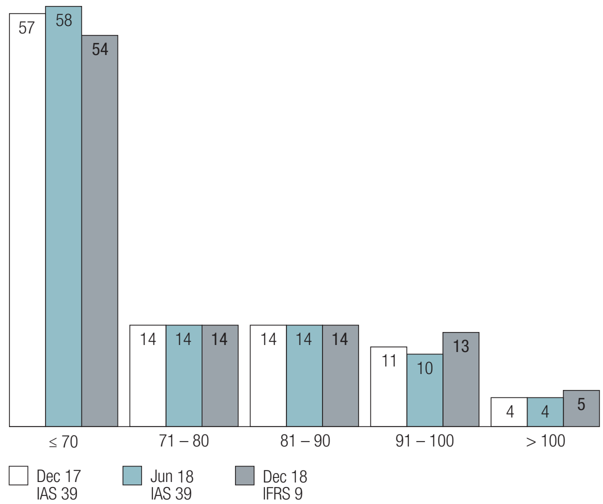
The graphs below provide loan balance-to-value ratios and age distributions of residential mortgages.

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

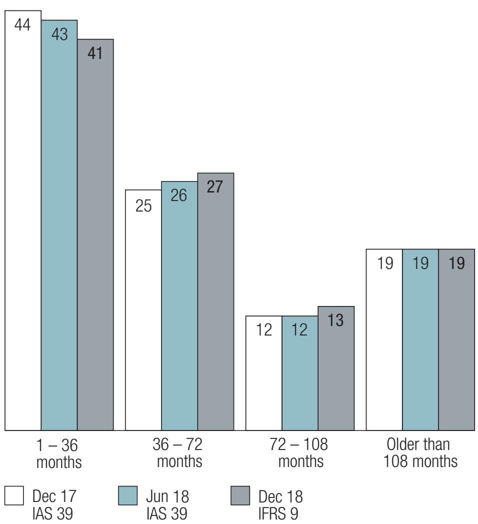
FNB RESIDENTIAL MORTGAGES
BALANCE-TO-ORIGINAL VALUE
%



FNB RESIDENTIAL MORTGAGES
BALANCE-TO-MARKET VALUE
%



FNB RESIDENTIAL MORTGAGES
AGE DISTRIBUTION
%



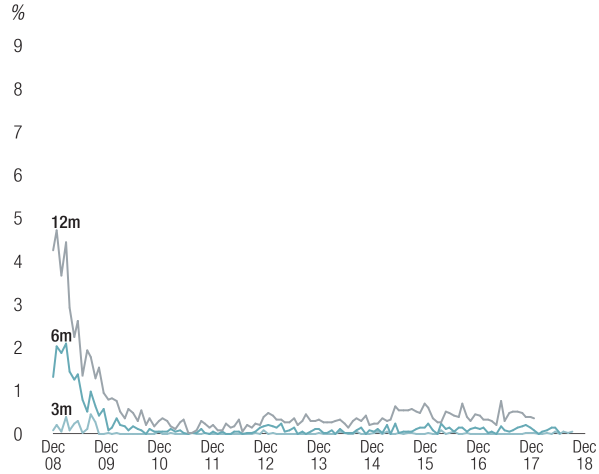
Credit continued

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. Collections performance has been strong in the portfolio.

FNB HOMELOANS ARREARS

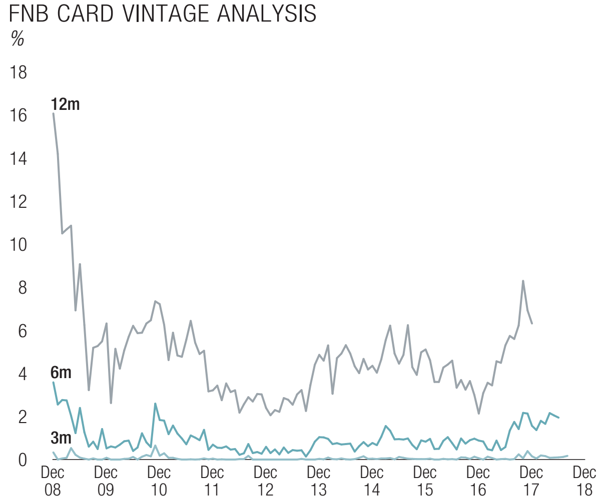
Vintages in FNB HomeLoans remained stable as collections improved. Lower new business volumes constrained book growth in the current period.

FNB HOMELOANS VINTAGE ANALYSIS



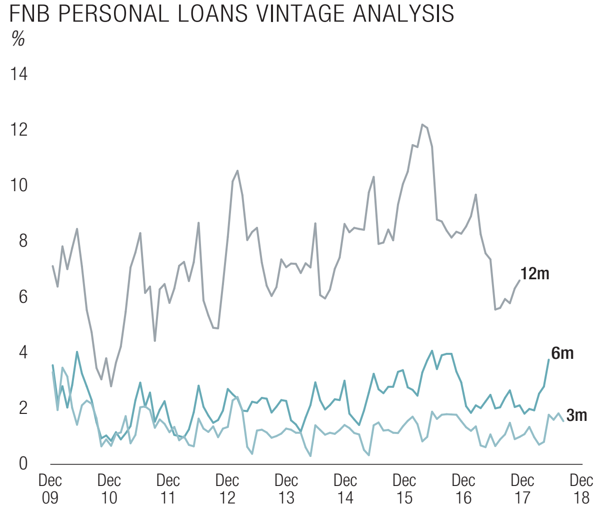
FNB card growth differed across segments over the period. Card growth in premium benefited from customer growth and up-sell, whilst the book contracted in the consumer segment as appetite remained conservative. The twelve- and six-month vintages have trended higher. To counter this, risk cuts have been implemented to ensure that performance remains within expectations.

FNB CARD VINTAGE ANALYSIS



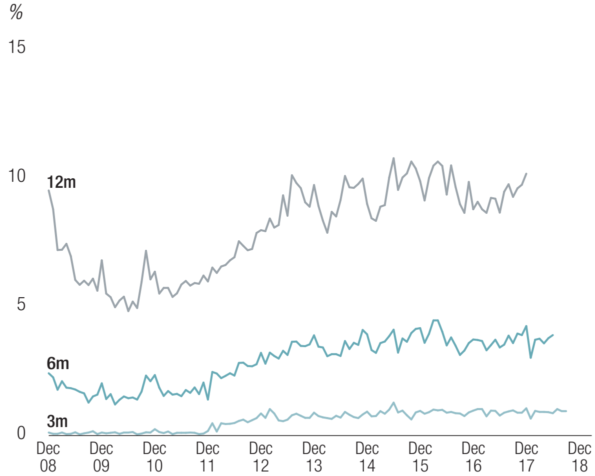
FNB personal loans growth was focused on the premium segment and was driven by increased penetration into the main-banked base. The 12-month vintage increase towards year end primarily relates to seasonality and some changes to credit underwriting strategies. Performance remained well within internal thresholds and the increase was expected due to origination strategy changes implemented during 2018.

FNB PERSONAL LOANS VINTAGE ANALYSIS



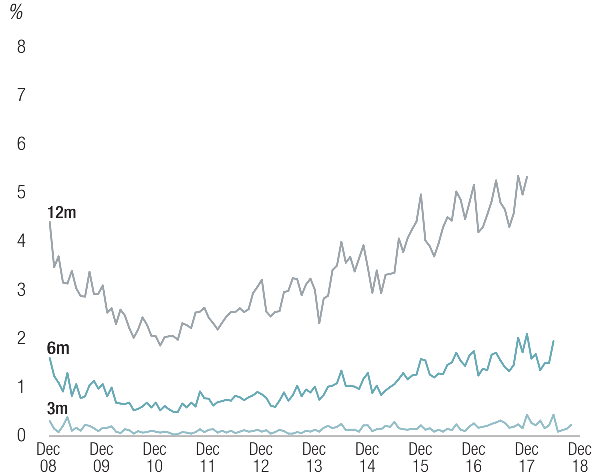
DirectAxis loans' vintages have remained stable since December 2013 while the business continued to see positive growth in disbursements. This is due to active credit origination management within the portfolio.

DIRECTAXIS LOANS VINTAGE ANALYSIS



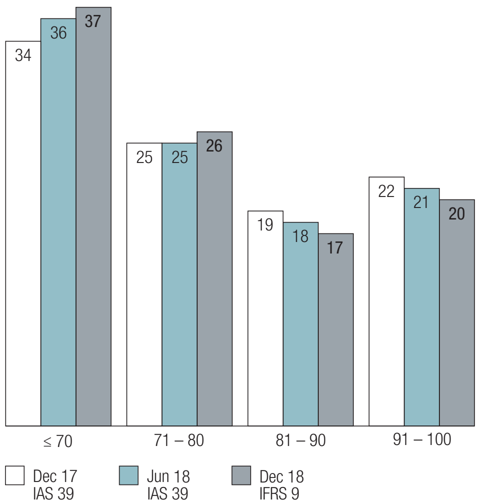
The retail SA VAF vintages experienced strain in the latter part of 2018 due to the continued increase in customers opting for court orders for repossession as well as increased macroeconomic challenges. The portfolio remains weighted towards lower and medium risk. During 2018 a few strategic changes were implemented to improve the performance of the portfolio, and the impact of these changes can already be seen in the reduction of the three month vintage performance. Portfolio arrears and NPL levels have stabilised during the last six months.

WESBANK RETAIL VAF VINTAGE ANALYSIS

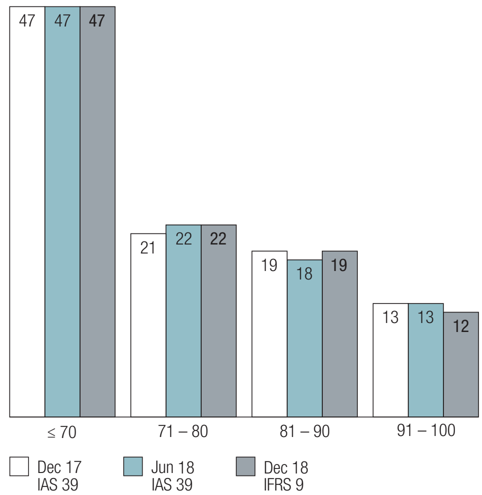


Credit continued

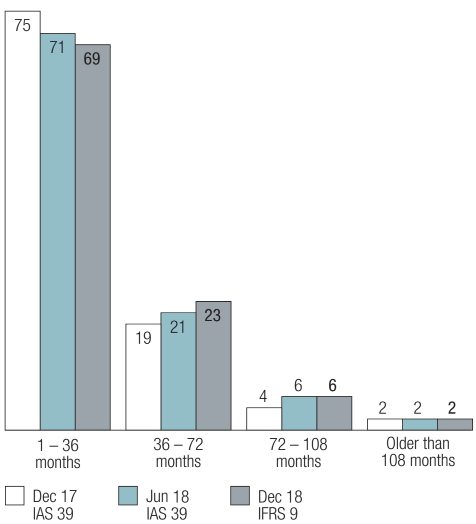
ALDERMORE RESIDENTIAL MORTGAGES
BALANCE-TO-ORIGINAL VALUE
%



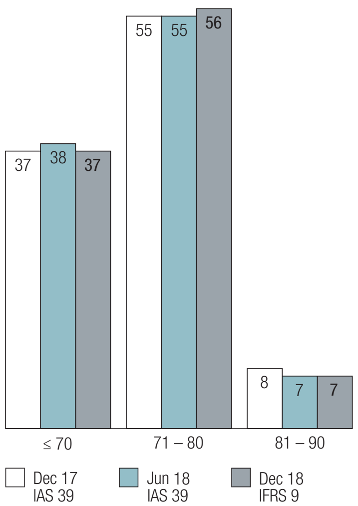
ALDERMORE RESIDENTIAL MORTGAGES
CURRENT BALANCE-TO-MARKET VALUE
%



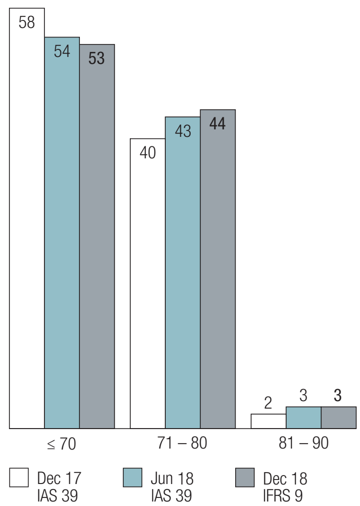
ALDERMORE RESIDENTIAL MORTGAGES
AGE DISTRIBUTION
%



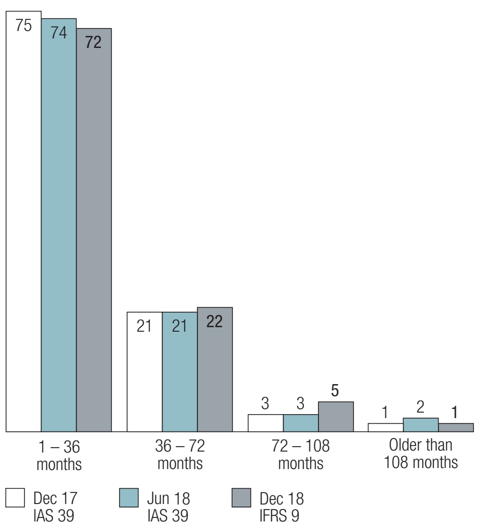
ALDERMORE BUY-TO-LET
BALANCE-TO-ORIGINAL VALUE
%



ALDERMORE BUY-TO-LET
CURRENT BALANCE-TO-MARKET VALUE
%



ALDERMORE BUY-TO-LET
AGE DISTRIBUTION
%

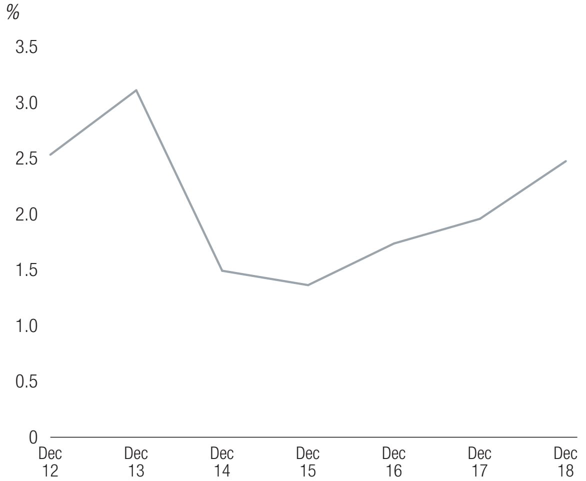


Credit continued

For standard residential mortgages, Aldermore typically operates in a higher loan-to-value (LTV) range than the larger high street banks, but uses experienced manual underwriting to identify low-to-medium-risk lending opportunities within that range. Aldermore covers a broad spectrum of customers from first-time buyers to self-employed customers.

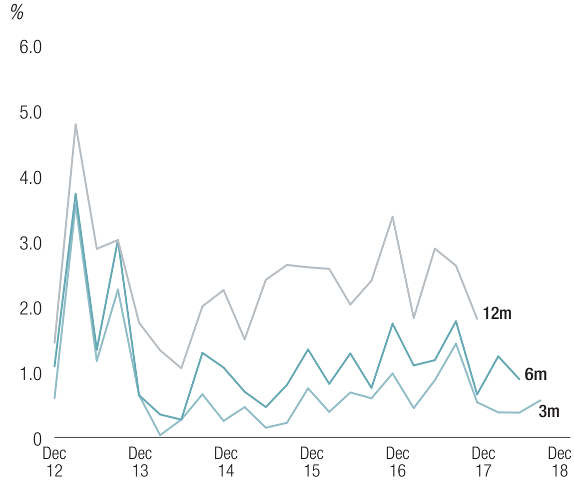
The following graph shows arrears in the Aldermore residential mortgages portfolio. Arrears levels spiked in December 2013 as a relatively small acquired mortgage portfolio was migrated to Aldermore, adding some short-term volatility. Arrears levels have subsequently reduced as the portfolio grew rapidly. The gradual increase during 2017/18 largely reflects the maturing of the book. Arrears levels are, however, in line with industry benchmarked figures.

ALDERMORE RESIDENTIAL MORTGAGES ARREARS



Relatively low volumes of arrears cause a degree of volatility in the vintages. The performance of business written in 2015 demonstrates slightly higher arrears than other cohorts, although credit quality has been steady for cohorts from 2016 onwards.

ALDERMORE RESIDENTIAL MORTGAGES VINTAGE ANALYSIS

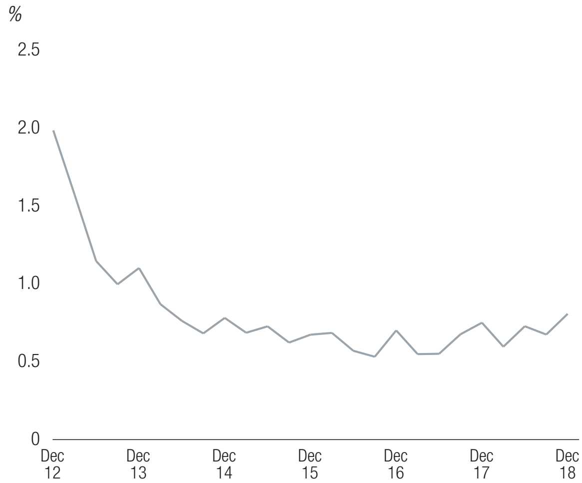


The buy-to-let (BTL) mortgages business services the needs of a wide range of customers, from first-time to experienced landlords.

The graph below shows that arrears have been relatively stable since 2014.

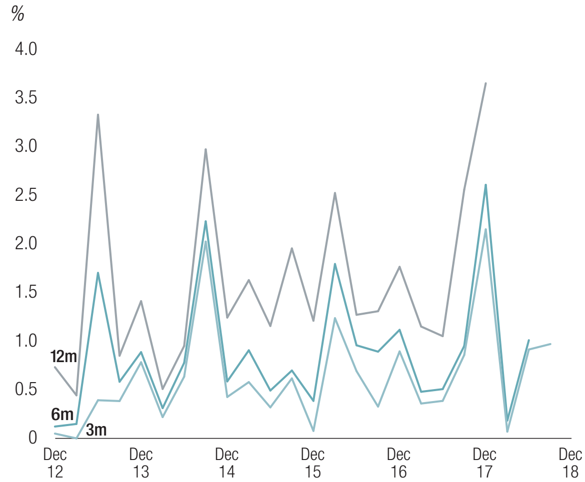
With the deployment of new BTL underwriting standards in January 2017 (for affordability) and September 2017 (for portfolio landlords), an increased level of conservatism has been applied to affordability assessments for this portfolio.

ALDERMORE BUY-TO-LET ARREARS



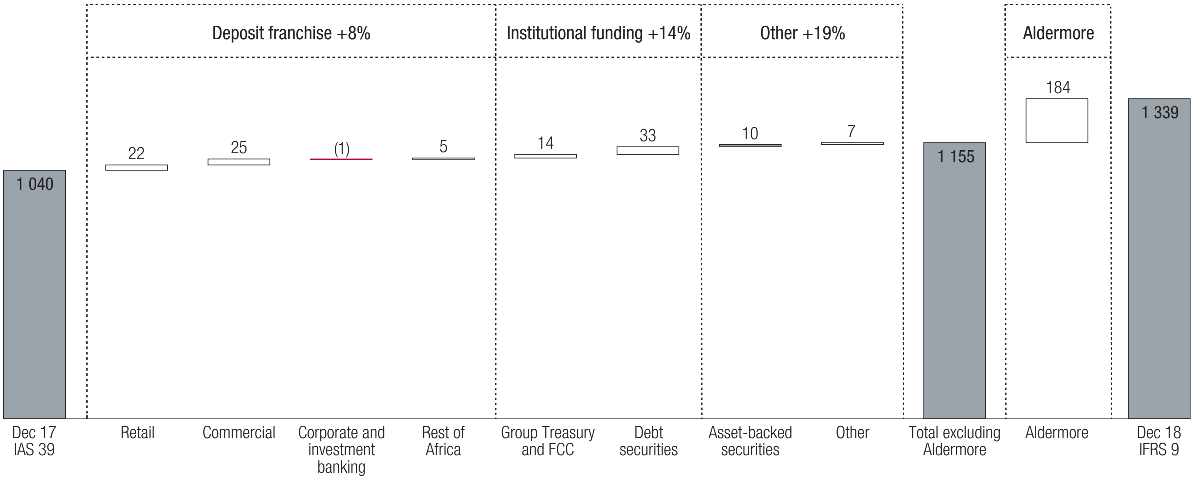
The following graph demonstrates that relatively low volumes of arrears with diverse loan values for this portfolio result in some volatility in the vintages. The peak observed in December 2017 resulted from a low volume of accounts, but with higher values. Credit quality is resilient and relatively stable.

ALDERMORE BUY-TO-LET VINTAGE ANALYSIS



Deposits – up 11% (up 29% including Aldermore)

FUNDING PORTFOLIO GROWTH BY SEGMENT
R billion



KEY DRIVERS

- FNB's deposits increased 11%:
  - Retail deposit growth of 10% was supported by ongoing new client acquisition and continued growth in flagship deposit products.
  - Commercial deposit growth of 12% was driven by new client acquisition and cross-sell strategies; and
  - FNB remains the number one household deposit franchise in terms of market share in South Africa.
- RMB corporate and investment banking deposits declined marginally over the reporting period. Average deposits grew >10%, underpinned by new client acquisition and ongoing product rollout. Total deposits were marginally down period-on-period due to large cyclical withdrawals.
- With respect to institutional funding, Group Treasury deposits grew 10% whilst debt securities showed robust growth of 16%. This was a result of:
  - an increase in debt securities, attributable to taps of existing senior bonds and issuances of new bonds, additional NCDs and floating rate notes (FRNs) underpinning the group's prudential liquidity requirements, an uptick in the demand for fixed deposits from institutional investors, and an increase in the interbank position;
  - structured issuances in the domestic market and growth in foreign-currency funding – the absolute amount of which was impacted by rand depreciation over the reporting period; and
  - overall growth in other deposits which resulted from growth in repurchase agreements, partly offset by a decrease in cash collateral received.

Funding and liquidity

INTRODUCTION AND OBJECTIVES

The group aims to fund its activities in a diversified, efficient, flexible and sustainable manner whilst operating within prudential limits. Its funding strategy is underpinned by strong counterparty relationships. The group's objective is to maintain and enhance its deposit market share by appropriately pricing and rewarding depositors, thus creating 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 operating businesses to operate in an efficient and sustainable manner.

Compliance with the Basel III liquidity ratios influences the group's funding strategy, particularly as it seeks to price appropriately for liquidity on a risk-adjusted basis. The group is actively building its deposit franchise through innovative and competitive products whilst also optimising its institutional funding profile. These initiatives continue to improve the funding and liquidity profile of the group.

FUNDING MANAGEMENT

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

Structural features

- Low discretionary savings.
- Higher degree of contractual savings:
  - pension funds;
  - provident funds; and
  - asset managers.
- Corporates and the public sector make use of financial intermediaries for bulking and maturity transformation services.

a portion of these funds translate into →

Liquidity needs of banks

Deposit franchise

+

Institutional funding

SA banks have higher structural liquidity risk compared to most financial markets

Risk mitigated to some extent by:

- closed rand system – rand transactions are cleared and settled through registered banks and clearing institutions domiciled in SA;
- concentration of customer current accounts with the four largest banks;
- prudential exchange control framework; and
- low dependency of SA banks on foreign currency funding.

Additional liquidity required by banks due to money supply constraints introduced by the LCR and the central bank's open market operations, without a commensurate increase in savings flows, have ultimately resulted in higher liquidity costs.

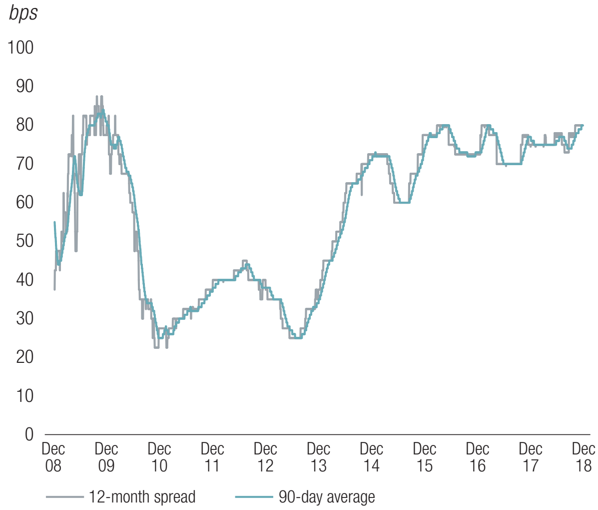
Considering the structural features described earlier, the group's focus remains on achieving an improved risk-adjusted and diversified funding profile, which also enables it to meet Basel III liquidity requirements. Consequently, the group aims to fund the balance sheet in an efficient manner, as set out in its liquidity risk management framework, and within regulatory and rating agency requirements.

Funding and liquidity continued

To maximise efficiency and flexibility in accessing funding opportunities, a range of domestic and international debt programmes have been established. The group's strategy for domestic vanilla public issuances is to create actively-traded benchmark bonds to facilitate secondary market liquidity. 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 indicative of the market cost of liquidity, measured as the spread paid on the bank's 12-month funding instruments, which include NCDs and FRNs. The graph shows that short-dated liquidity spreads remain elevated.

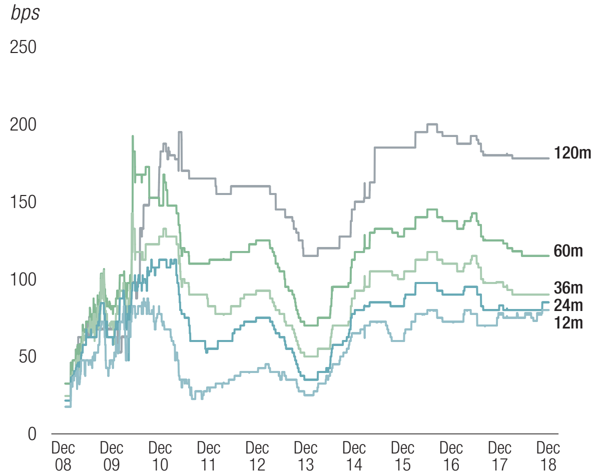
12-MONTH MID-MARKET FUNDING SPREAD



Sources: Bloomberg (RMBP screen) and Reuters.

The following graph shows that long-term funding spreads remain elevated from a historical perspective. Longer-dated funding spreads have moderated to a small degree, while near-dated spreads remain elevated.

LONG-TERM FUNDING SPREADS



Sources: Bloomberg (RMBP screen) and Reuters.

FUNDING MEASUREMENT AND ACTIVITY

FirstRand Bank, FirstRand's wholly-owned subsidiary and the primary debt-issuing entity in the group, generates a larger proportion of its funding from deposits when compared to the South African aggregate, but its funding profile also reflects the structural features described previously.

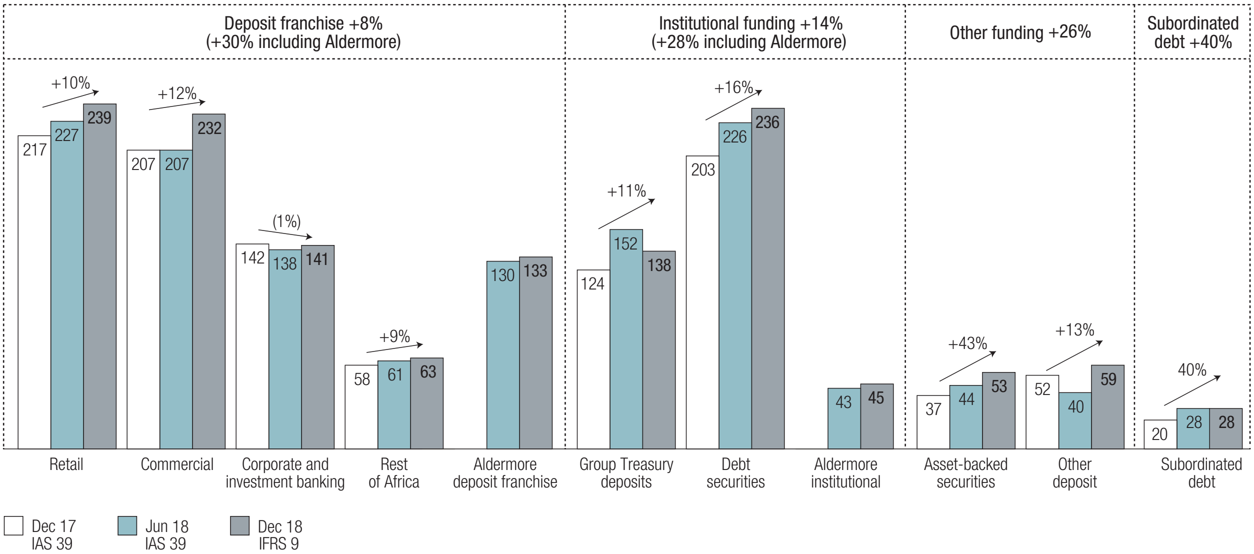
The group manages its funding profile by source, counterparty type, product, currency and market. The deposit franchise is the most efficient source of funding and represented 60% of total group funding liabilities as at 31 December 2018 (December 2017: 59%).

The group 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 group accesses the domestic money markets daily and, from time to time, capital markets. The group 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.

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

FUNDING PORTFOLIO GROWTH

R billion



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

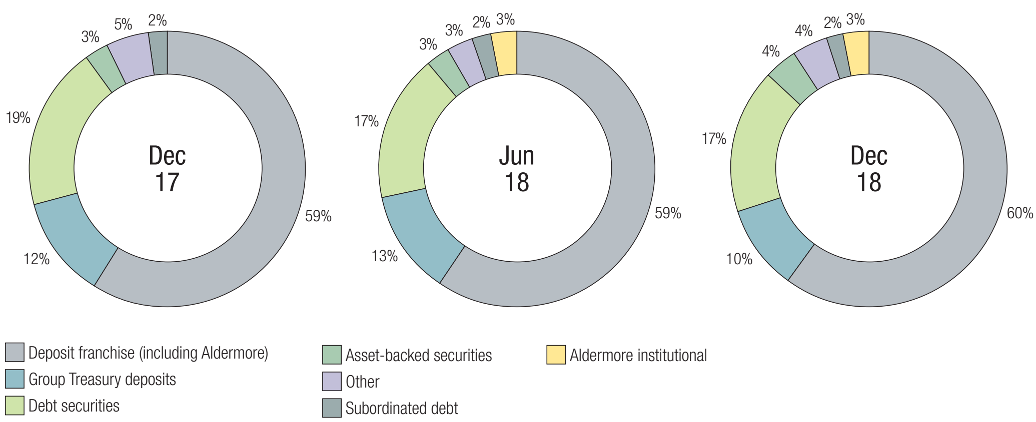
Note 2: The above graph is completed using the group segmental reporting split based on funding product type. The segment breakdown above differs from the risk counterparty view on page 122, which is segment and product neutral. These views primarily highlight the group's strength in raising deposits across segments, as well as the diversification of the group's funding from a counterparty perspective.

Note 3: December 2018 subordinated debt includes Tier 2 and AT1 capital instruments.

Note 4: Asset-backed securities include Aldermore's securitisations.

The graphs below show that the group's funding mix has remained relatively stable over the last six months.

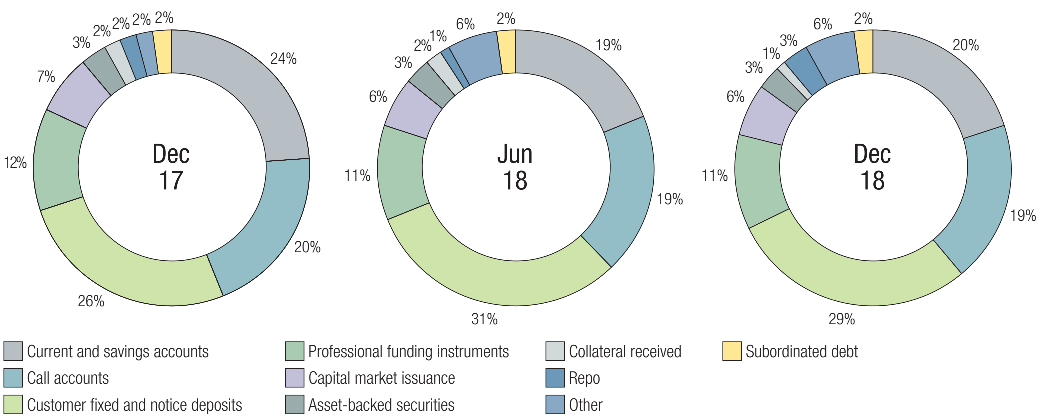
FUNDING MIX



Funding and liquidity continued

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

GROUP'S FUNDING ANALYSIS BY INSTRUMENT TYPE

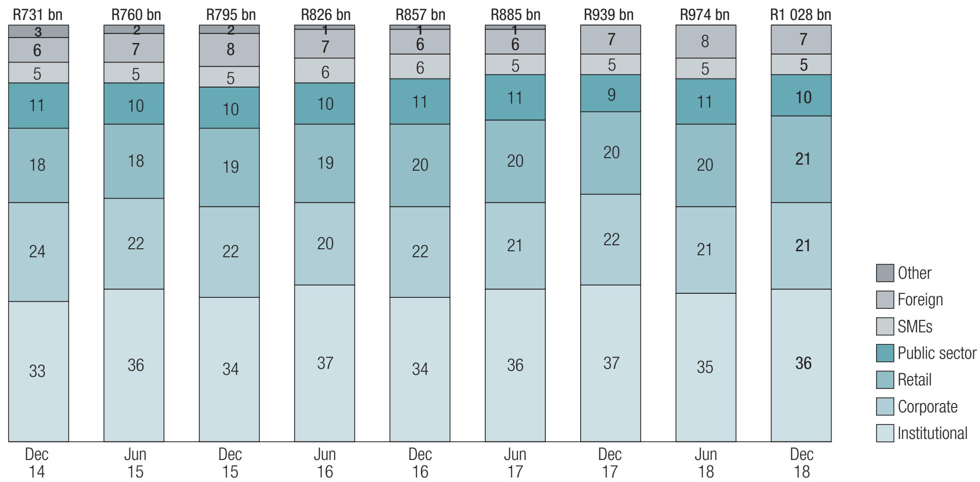


As a consequence of the group's focus on growing its deposit and transactional banking franchise, a significant proportion of funds is contractually short-dated. As these deposits are anchored to clients' service requirements and, given the balance granularity created by individual clients' independent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

The table below provides an analysis of the bank's funding sources per counterparty type, which differs from the segment view on page 125.

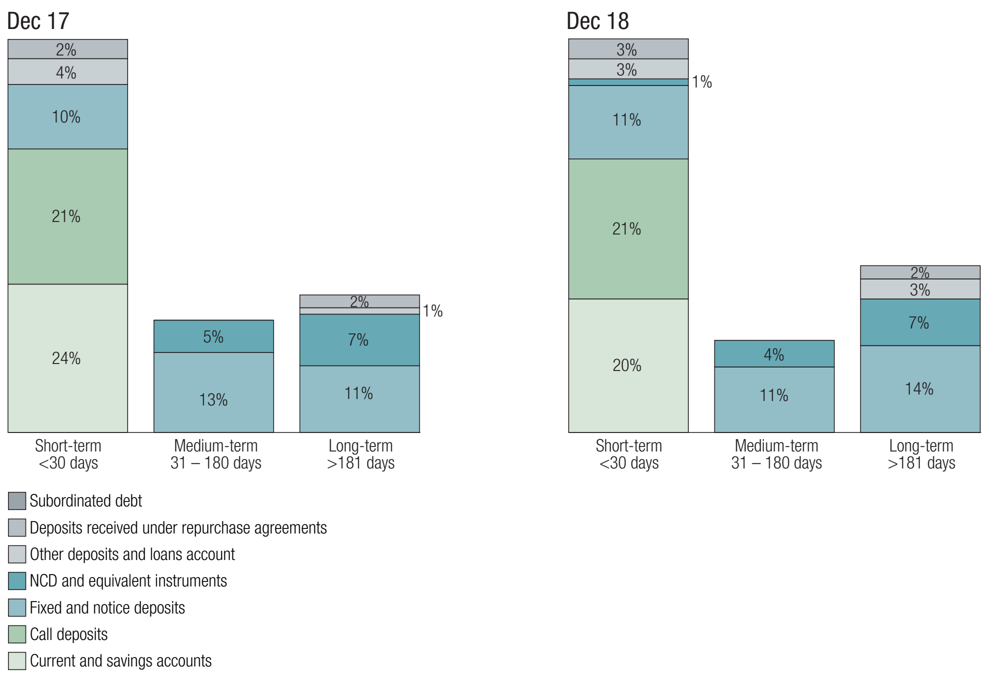
	December 2018 IFRS 9				December 2017 IAS 39	June 2018 IAS 39
% of funding liabilities	**Total**	**Short-term**	**Medium-term**	**Long-term**	Total	Total
Institutional funding	**36.5**	**11.4**	**7.1**	**18.0**	36.8	35.0
Deposit franchise	**63.5**	**49.6**	**8.3**	**5.6**	63.2	65.0
Corporate	**20.6**	**17.7**	**2.1**	**0.8**	21.9	20.6
Retail	**20.5**	**15.9**	**3.2**	**1.4**	20.2	20.3
SMEs	**5.1**	**4.3**	**0.5**	**0.3**	5.3	5.3
Governments and parastatals	**9.8**	**7.9**	**1.2**	**0.7**	9.0	11.0
Foreign	**7.4**	**3.7**	**1.3**	**2.4**	6.8	7.8
Other	**0.1**	**0.1**	**–**	**–**	–	–
Total	**100.0**	**61.0**	**15.4**	**23.6**	100	100

FUNDING ANALYSIS FOR FIRSTRAND BANK BY SOURCE*



* *Excludes foreign branches.*

GROUP'S FUNDING LIABILITIES BY INSTRUMENT TYPE AND TERM

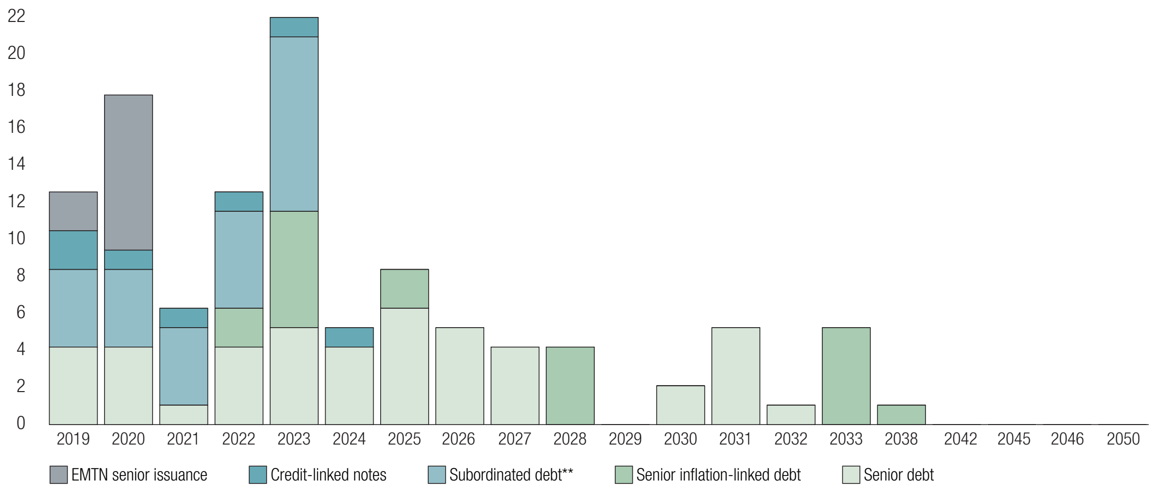


Funding and liquidity continued

The maturity profile of the bank's capital market instruments is depicted 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 investor demand into account.

MATURITY PROFILE OF CAPITAL MARKET INSTRUMENTS OF FIRSTRAND BANK*

R billion



* *Includes foreign branches.*

** *Subordinated debt includes EMTN Tier 2 and AT1 capital instruments.*

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 given the group's 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. Businesses are effectively 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.

FOREIGN CURRENCY BALANCE SHEET

MOTONOVO

The acquisition of Aldermore alleviates some pressure on the group's foreign currency funding capacity. Once integrated with Aldermore, MotoNovo will be supported by Aldermore's funding platform through which all new business will be funded via a combination of on-balance sheet deposits, wholesale and structured funding. MotoNovo's existing asset book, which currently forms part of the bank's London branch, continues to be funded through existing funding mechanisms and will, over time, be run down. Consequently, the funding capacity currently allocated to MotoNovo from the group's domestic balance sheet can ultimately be redeployed into other growth strategies.

ALDERMORE

Aldermore actively follows a diversified and flexible funding strategy and is predominantly funded by retail and business customer deposits, and bespoke corporate deposits. These account for approximately 80% of total funding. The deposit franchise amounted to £8 billion at 31 December 2018.

Aldermore's funding strategy is complemented by its continuing access to wholesale funding. Notwithstanding the end of the Bank of England's term funding scheme, Aldermore returned to the securitisation market in October 2018 with its second prime residential mortgage-backed securities (RMBS) transaction, Oak 2. Aldermore continues to access the capital markets as and when opportunities arise to optimise its funding profile and cost of funds.

Aldermore's liquid asset composition remains prudent with an LCR well in excess of the regulatory minimum. The liquidity risk position is managed to more stringent internal parameters. Given the Brexit uncertainty, there has been a proactive approach to reduce exposures in bonds from the second half of 2018 and place these with the Bank of England, which accounts for 40% of Aldermore's liquidity buffer.

RISK MANAGEMENT APPROACH

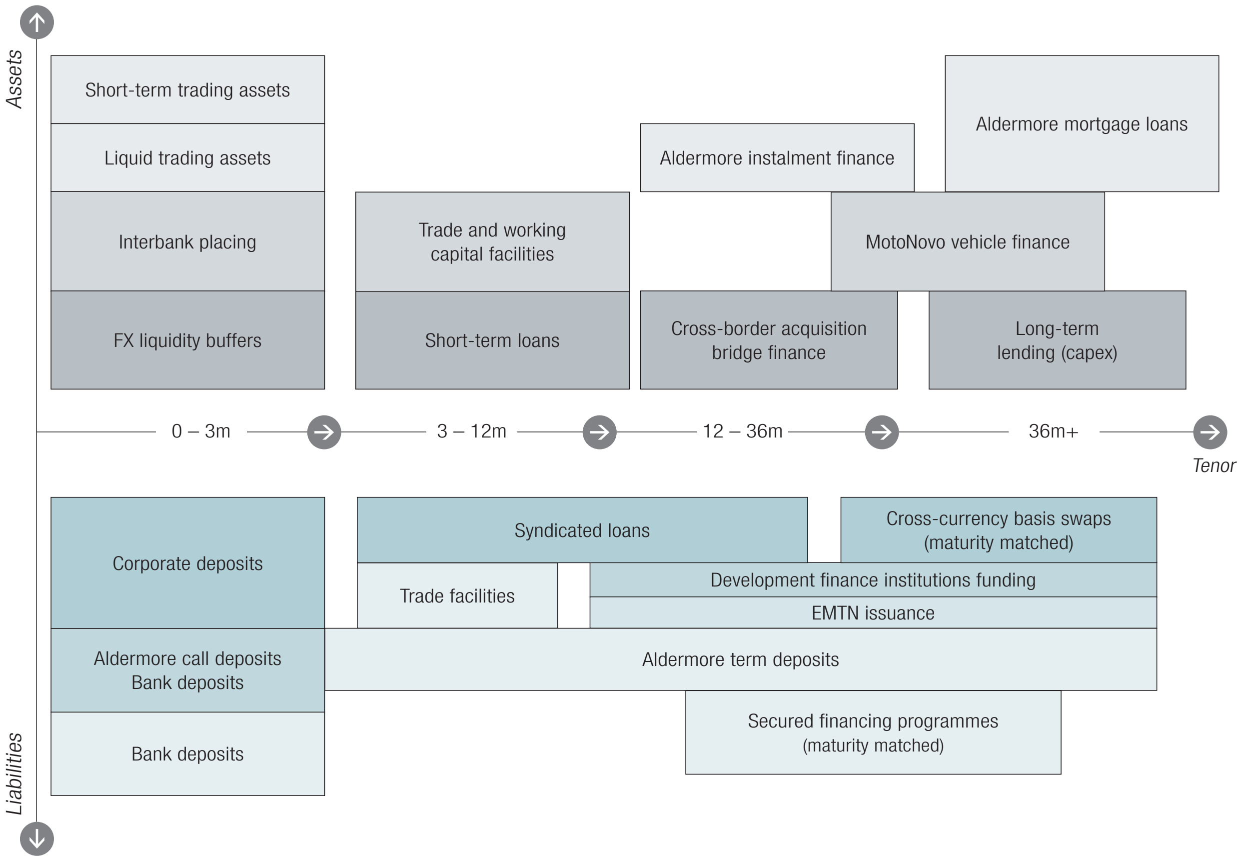
The group seeks to avoid undue liquidity risk exposure and thus maintains liquidity risk within the risk appetite approved by the board and risk committee. The SARB, via *Exchange Control Circular 6/2010,* introduced macro-prudential limits applicable to authorised dealers. The group utilises its own foreign currency balance sheet measures based on economic risk and has set internal limits below those allowed by the macro-prudential limits framework.

FirstRand'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 group'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 group takes into account the external debt of all South African entities (private and public sector, and financial institutions) as all these entities utilise the South African system's capacity, namely confidence and export receipts. The group thus employs a self-imposed structural borrowing limit and a liquidity risk limit more onerous than that allowed by regulations.

GRAPHICAL REPRESENTATION OF THE FOREIGN CURRENCY BALANCE SHEET



Funding and liquidity continued

LIQUIDITY RISK POSITION

The following table provides a breakdown of the available sources of liquidity.

COMPOSITION OF LIQUID ASSETS

	As at 31 December	
R billion	**2018**	2017
Cash and deposits with central banks	**37**	32
Government bonds and bills	**135**	117
Other liquid assets	**44**	38
Total liquid assets	**216**	187

Group liquidity buffers are actively managed via the group'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 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 cash inflows and outflows.

The group has continued to build its liquid asset holdings in accordance with asset growth, risk appetite and regulatory requirements.

Liquidity ratios for the group and bank at 31 December 2018 are summarised below. The NSFR became effective on 1 January 2018.

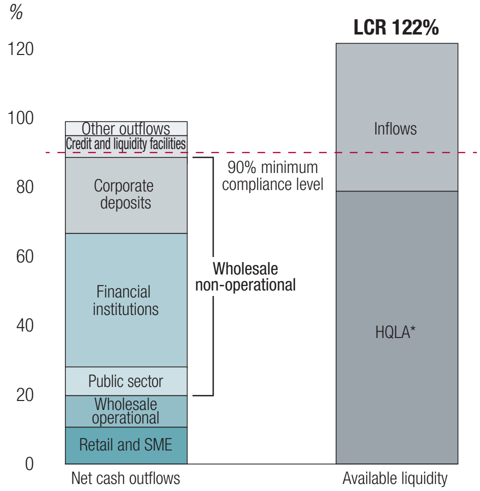
	Group		Bank*	
	LCR**	**NSFR**	**LCR****	**NSFR**
Regulatory minimum	90%	100%	90%	100%
Actual	122%	112%	130%	110%

* *Excludes foreign branches.*

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

The following graph illustrates the group's LCR position and demonstrates compliance with the 90% minimum requirement at 31 December 2018 (1 January 2019 requirement increased to 100%).

GROUP LCR



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

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

Capital

The group actively manages its capital base aligned to strategy, risk appetite and risk profile. The optimal level and composition of capital is determined after taking the following into account:

- Prudential requirements, including any prescribed buffer.
- Rating agencies' considerations.
- Investor expectations.
- Peer comparison.
- Strategic and organic growth plans.
- 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 total capital adequacy and CET1 ratios remain within or above targets across economic and business cycles. Capital is managed on a forward-looking basis and the group remains appropriately capitalised under a range of normal and severe stress scenarios, which include expansion initiatives, corporate transactions, as well as ongoing regulatory, accounting and tax developments. The group aims to back all economic risk with loss-absorbing capital, and remains well capitalised in the current environment. FirstRand's internal targets have been aligned to the Prudential Authority (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 period.

The group is subject to the PA's transitional capital requirements as at 31 December 2018, which includes a 75% phased-in requirement for the capital conservation, countercyclical (CCyB) and domestic systemically important bank (D-SIB) buffer add-ons. The PA has not implemented any CCyB requirement for South African exposures, however, the group is required to calculate the CCyB requirement on private sector exposures in foreign jurisdictions where these buffers are applicable. Effective 28 November 2018, the Prudential Regulation Authority's CCyB requirement for UK exposures stepped up to 1.0% from 0.5%. The CCyB requirement for the group as at 31 December 2018 was 13 bps and is included in the disclosed minimum requirement. Effective 1 January 2019, the PA's minimum capital requirements will be fully phased in, including 100% of the capital conservation, CCyB and D-SIB add-ons.

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 Day 1 impact for regulatory capital purposes. The Day 1 implementation reduced the group's CET1 position by 50 bps, and will be transitioned over a four-year period.

The Basel III leverage ratio is a supplementary measure to the risk-based capital ratios, and is a function of the Tier 1 capital measure, and total on- and off-balance sheet exposures.

PERIOD UNDER REVIEW

The capital and leverage positions as at 31 December 2018 exceeded internal targets, and are summarised in the following table.

CAPITAL ADEQUACY AND LEVERAGE POSITIONS

	Capital			Leverage
%	CET1	Tier 1	Total	Total
Regulatory minimum*	7.5	9.0	11.3	4.0
Internal target	10.0 – 11.0	>12.0	>14.0	>5.0
Actual**	**12.0**	**12.6**	**14.8**	**7.4**

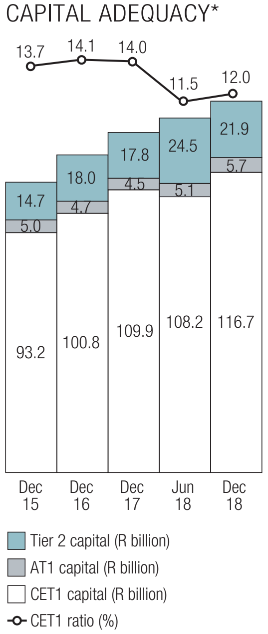
* *Excludes the bank-specific capital requirements, but includes the CCyB requirement.*

** *Includes the transitional Day 1 impact of IFRS 9, and unappropriated profits of R7.3 billion. Refer to the Pillar 3 standardised disclosure templates for ratios excluding unappropriated profits (www.firstrand.co.za).*

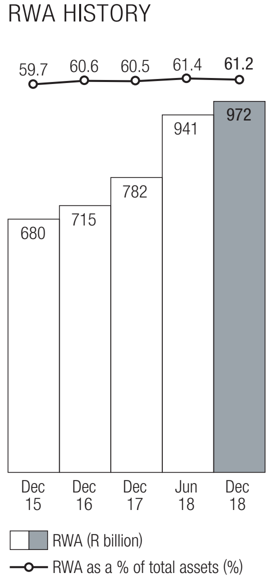
Capital continued

CAPITAL

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

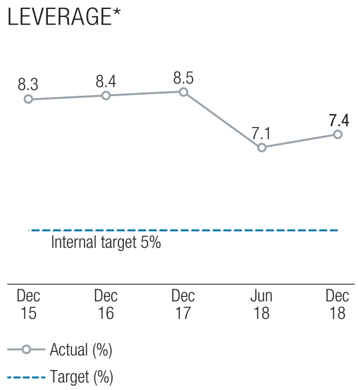


* Includes unappropriated profits.



LEVERAGE

The reduction in the leverage ratio period-on-period, shown in the graph below, is mainly due to the decrease in the Tier 1 capital measure from December 2017. The Tier 1 capital measure decreased due to the impact of the Aldermore acquisition.



* *Includes unappropriated profits.*

Note: December 2015 to June 2018 is based on IAS 39 and December 2018 on IFRS 9.

SUPPLY OF CAPITAL

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

COMPOSITION OF CAPITAL ANALYSIS*

	As at 31 December		As at 30 June
R million	**2018 IFRS 9**	2017 IAS 39	2018 IFRS 9
CET1 capital	**116 699**	109 850	108 226
Tier 1 capital	**122 366**	114 318	113 342
Total qualifying capital	**144 321**	132 077	137 796

* *Includes unappropriated profits of R7.3 billion.*

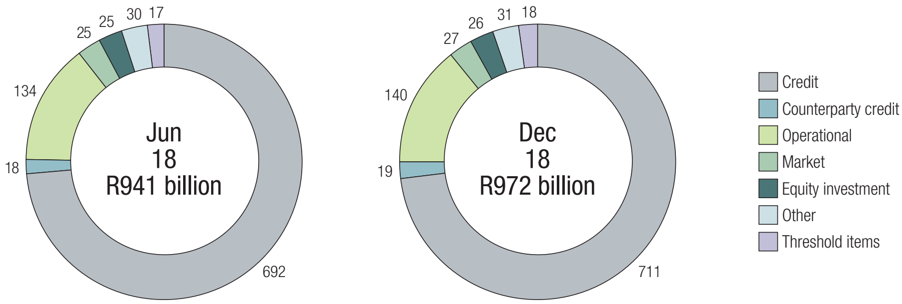
KEY DRIVERS: DECEMBER 2018 vs JUNE 2018		
CET1	▲	> Ongoing internal capital generation through earnings coupled with sustainable dividend payout. > Once-off realisation relating to Discovery transaction (±R2.3 billion) partly reduced by the Day 1 transitional impact of IFRS 9. > Inclusion of minority capital previously excluded for regulatory purposes (±R1.5 billion).
AT1	▲	> FRB AT1 issuance (R2.3 billion) in November 2018, partly offset by movement in third-party capital from AT1 to CET1 capital.
Tier 2	▼	> Redemption of the FRB05, FRBC21 and FRBC22 in December 2018 (R3.2 billion), and movement in third-party capital. The capital stack no longer includes any old-style Tier 2 instruments.

Capital continued

DEMAND FOR CAPITAL

The charts and table below summarises the RWA movement from June 2018 to December 2018.

RWA ANALYSIS
R billion



KEY DRIVERS: DECEMBER 2018 vs JUNE 2018		
Credit		> Organic growth, model recalibrations and exchange rate movements, partly offset by movements in securitisation funding structures.
Counterparty credit		> Volumes and mark-to-market movements.
Operational		> Increase in gross income for entities on advanced measurement approach (AMA) used to calculate AMA capital floor. > Increase in gross income for entities on basic approaches (basic indicator and standardised approaches).
Market		> Volumes and mark-to-market movements.
Equity investment		> New investments and fair value adjustments.
Threshold items		> Movement in deferred tax assets and investments in financial, banking and insurance entities (subject to 250% risk weighting). > Increase in deferred tax assets due to the IFRS 9 implementation.

CAPITAL ADEQUACY POSITION FOR THE GROUP, ITS REGULATED SUBSIDIARIES AND THE BANK'S FOREIGN BRANCHES

The group's registered banking subsidiaries must comply with PA regulations and those of their respective in-country regulators, with primary focus placed on Tier 1 and total capital adequacy ratios. It remains the group's principle that entities must be 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 PA regulatory requirements. Capital generated by subsidiaries/branches in excess of targeted levels is returned to FirstRand, usually in the form of dividends/return of profits. During the period, no restrictions were experienced on the repayment of such dividends or profits to the group.

The RWA and capital adequacy positions of FirstRand, its regulated subsidiaries and the bank's foreign branches are summarised in the table below.

RWA AND CAPITAL ADEQUACY POSITIONS OF FIRSTRAND, ITS SUBSIDIARIES AND FOREIGN BRANCHES

	As at 31 December				As at 30 June
	2018 IFRS 9			2017 IAS 39	2018 IAS 39
	RWA R million	Tier 1 %	Total capital adequacy %	Total capital adequacy %	Total capital adequacy %
Basel III (PA regulations)					
FirstRand*	**972 199**	**12.6**	**14.8**	16.9	14.7
FirstRand Bank*,**	**698 853**	**13.6**	**16.9**	17.3	16.8
FirstRand Bank South Africa*	**645 474**	**13.4**	**16.4**	17.3	16.7
FirstRand Bank London	**51 789**	**9.8**	**15.7**	14.0	14.8
FirstRand Bank India	**1 943**	**34.3**	**34.9**	32.9	39.9
FirstRand Bank Guernsey#	**238**	**12.7**	**12.7**	16.5	15.3
Basel III (local regulations)					
Aldermore Bank†	**104 113**	**13.2**	**16.0**	n/a	14.5
Basel II (local regulations)					
FNB Namibia	**29 916**	**14.4**	**17.6**	17.3	18.7
FNB Mozambique	**2 122**	**14.9**	**14.9**	15.1	13.3
RMB Nigeria	**3 588**	**42.4**	**42.4**	46.0	48.1
FNB Botswana	**24 604**	**15.1**	**19.3**	19.9	17.9
FNB Tanzania	**1 628**	**23.9**	**23.9**	44.8	38.6
Basel I (local regulations)					
FNB Swaziland	**3 951**	**21.6**	**22.5**	27.6	23.4
FNB Lesotho	**1 070**	**13.2**	**16.0**	16.0	18.0
FNB Zambia	**4 237**	**18.2**	**23.3**	20.8	22.6
First National Bank Ghana	**696**	**>100**	**>100**	92.9	59.0

* *Includes unappropriated profits.*

** *Includes foreign branches.*

Trading as FNB Channel Islands.

† *Aldermore was acquired on 1 April 2018.*

Standardised disclosures

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

- Key prudential metrics (at consolidated group level).
- Capital:
  - composition of regulatory capital;
  - reconciliation of regulatory capital to balance sheet; and
  - main features of regulatory capital instruments.
- Macroprudential supervisory measures:
  - geographical distribution of credit exposures used in the countercyclical capital buffer.
- 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 standard disclosure templates on the group's website.

Regulatory update

BASEL III REFORMS	The Basel Committee on Banking Supervision (BCBS) finalised the Basel III reforms in December 2017, with a specific focus on reducing the variability of RWA. The BCBS has agreed on 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 PA further issued *Guidance Note 6 of 2018, Proposed implementation dates in respect of specified regulatory reforms*, which includes the proposed implementation dates of the outstanding Basel III regulatory reforms. The impact on the group capital position depends on the final implementation by the PA given a level of national discretion. The group continues to participate in the BCBS quantitative impact studies to assess and understand the impact of such reforms.
LIQUIDITY COVERAGE RATIO	The LCR has been fully adopted by the PA 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 10% incremental step-up to 100% on 1 January 2019. The group remains focused on building a diversified pool of available HQLA, which is constrained by the limited availability of these assets in the South African market.
NET STABLE FUNDING RATIO	The NSFR is a structural balance sheet 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 was effective from 1 January 2018. Replacing *Directive 4 of 2016, Directive 8 of 2017* set out the elements of national discretion exercised by the PA in relation to the calibration of the NSFR framework for South Africa. The PA, 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. In line with several other international regulators, the PA also provided clarity on the alignment of the LCR and NSFR, applying a 5% RSF factor to the assets net of their haircut eligible for CLF purposes. These changes are anchored in the assessment of the true liquidity risk and greatly 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 Resolution Authority (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. The Draft Financial Sector Laws Amendment Bill was published for comment by National Treasury in October 2018. In order to support the pending Resolution Framework, the bill proposes the necessary amendments to various acts including the Insolvency Act, the South African Reserve Bank Act, the Banks Act, the Mutual Banks Act, the Competition Act, the Financial Markets Act and the Insurance Act with a view to strengthening the ability of the South African Reserve Bank to manage the orderly resolution or winding down of a failing financial institution with minimum disruption to the broader economy. One of the key amendments included in the bill is the establishment of the CoDI designed to protect depositors' funds and enhance financial stability. The bill is awaiting promulgation by parliament before it is enacted, but in the interim the relevant regulators are continuously engaging with industry to continue working on the design and finalisation of the outstanding elements of the resolution framework.
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. Draft standards provide an early signal to the industry and affected stakeholders on the approach to the classification, regulation and supervision of designated financial conglomerates. Comments were due by the end of August 2018. The expected implementation date for the standards is not known.

Performance measurement

The group aims to deliver sustainable returns to its shareholders with each business unit evaluated on shareholder value created. This is measured through ROE and the group's specific benchmark of economic profit, net income after cost of capital (NIACC).

NIACC is embedded across the group and, as a function of normalised earnings and the cost of capital, provides a clear indication of economic value added.

Targeted hurdle rates are set for business units and capital is allocated to each business unit based on its risk profile. The capital allocation process is based on internal assessment of the capital requirements as well as Basel III requirements.

Growth in normalised earnings and a reduction in the cost of equity supported an increase in NIACC as illustrated in the table below.

NIACC AND ROE

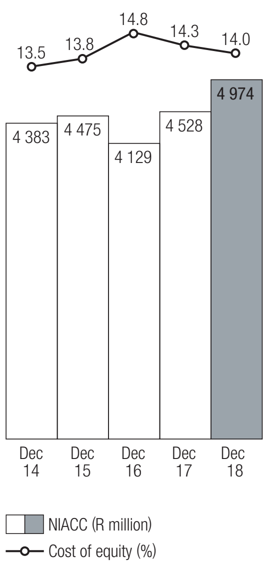
	Six months ended 31 December			Year ended 30 June
R million	**2018 IFRS 9**	2017 IAS 39	% change	2018 IAS 39
Normalised earnings attributable to ordinary shareholders	**13 342**	12 461	7	26 411
Capital charge*	**(8 368)**	(7 933)	5	(16 443)
NIACC**	**4 974**	4 528	10	9 968
Average ordinary shareholders' equity and reserves	**119 546**	110 954	8	114 984
ROE (%)	**22.3**	22.5		23.0
Cost of equity# (%)	**14.0**	14.3		14.3
Return on average RWA	**2.79**	3.28		3.15

* *Capital charge based on cost of equity.*

** *NIACC = normalised earnings less (cost of equity x average ordinary shareholders' equity and reserves).*

\# *Cost of equity is based on the capital asset pricing model.*

NIACC AND COST OF EQUITY HISTORY



Note: December 2014 to December 2017 is based on IAS 39 and December 2018 on IFRS 9.

SHAREHOLDER VALUE CREATION

The group continues to achieve returns above its cost of equity, resulting in positive NIACC despite the higher levels of capital.

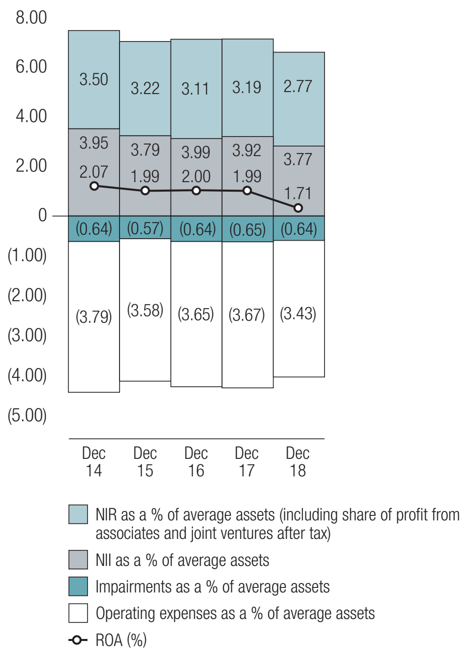
The table below shows the decomposition of the ROE into the ROA and gearing. The group ROA and gearing have structurally changed due to the acquisition of Aldermore. Gearing was also impacted by the implementation of IFRS 9.

	Six months ended 31 December					Year ended 30 June
	2018 IFRS 9	2017 IAS 39	2016 IAS 39	2015 IAS 39	2014 IAS 39	2018 IAS 39
ROA (%)	**1.71**	1.99	2.00	1.99	2.07	1.92
Gearing*	**13.0**	11.3	11.5	11.8	11.5	12.0
ROE (%)	**22.3**	22.5	22.9	23.4	24.0	23.0

* *Gearing = average total assets/average equity.*

The following graph provides a high-level summary of the drivers of returns over time. The decline in ROA from 1.99% to 1.71% was mainly driven by the inclusion of Aldermore, given its structurally lower ROA, which reflects the secured nature of its advances.

ROA ANALYSIS



Note: The graph shows each item before taxation and non-controlling interests as a percentage of average assets. ROA is calculated as normalised earnings (after tax and non-controlling interests) as a percentage of average assets.

December 2014 to December 2017 is based on IAS 39 and December 2018 on IFRS 9.

Performance measurement continued

BUSINESS PERFORMANCE

Targeted hurdle rates are set for business units and capital is allocated to each business using the following inputs:

- targeted capital levels informed by regulatory capital and economic capital requirements; and
- regulatory capital impairments where relevant.

The tables below provide a summary of performance of the group's operating business, which all produced returns above the cost of allocated equity.

ROE AND NORMALISED EARNINGS PER BUSINESS

	Six months ended 31 December				Year ended 30 June	
	2018 IFRS 9		2017 IAS 39		2018 IAS 39	
R million	**Normalised earnings*,****	**ROE %**	Normalised earnings*,**	ROE %	Normalised earnings*,**	ROE %
FNB	**8 536**	**42.2**	7 678	38.6	15 689	38.8
RMB	**3 261**	**20.5**	3 124	22.9	7 280	25.3
WesBank	**930**	**19.6**	927	18.3	1 785	17.4
Aldermore#	**1 037**	**15.8**			276	12.1
FCC†	**(422)**	**(3.4)**	732	4.3	1 381	6.0
FirstRand group	**13 342**	**22.3**	12 461	22.5	26 411	23.0
Total rest of Africa‡	**915**	**16.8**	788	16.3	1 419	14.2

* *Includes the return on capital in rest of Africa operations and the cost of other capital, and preference share and Group Treasury costs, and therefore differs from the operating businesses' normalised earnings reported in the segment report on pages 30 to 41.*

** *Comparatives were restated for segmentation changes.*

At June 2018 the earnings attributable to contingent convertible securities of R115 million are reflected on the segment report on pages 38 and 39. R105 million of this amount related to the period prior to the acquisition date and is therefore adjusted for in the annualised ROE calculation for Aldermore.

† *Includes Ashburton Investments, Group Treasury, MotoNovo as well as unallocated surplus capital.*

‡ *Reflects the businesses' combined operations in the legal entities in the rest of Africa.*

BUSINESS ROAs

	ROA		
	Six months ended 31 December		Year ended 30 June
%	**2018 IFRS 9**	2017* IAS 39	2018* IAS 39
FNB	**3.78**	3.61	3.62
RMB	**1.36**	1.40	1.64
WesBank	**1.33**	1.34	1.27
Aldermore**	**1.04**		0.80
FCC#	**(0.29)**	0.60	0.52
FirstRand Limited	**1.71**	1.99	1.92

* *Comparatives were restated for segmentation changes.*

** *For June 2018, the Aldermore ROA was calculated using the earnings as adjusted for the attribution to contingent convertible securities of R105 million which related to the period prior to the acquisition date.*

Includes Ashburton Investments, Group Treasury, MotoNovo as well as any unallocated surplus capital.

Credit ratings

The ratings of South African-based banks are constrained by the country's sovereign rating. This is due to the direct and indirect impact of sovereign distress on domestic banks' operations. The following tables summarise the credit ratings of the South African sovereign, FirstRand Bank Limited and FirstRand Limited as at 11 March 2019.

SOUTH AFRICAN SOVEREIGN LONG-TERM RATINGS

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

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

FIRSTRAND BANK LIMITED RATINGS

		Counterparty rating*		National scale rating		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.

FIRSTRAND LIMITED RATINGS

		Counterparty rating*		National scale rating	
	Outlook	Long-term	Short-term	Long-term	Short-term
S&P	Stable	B+	B	zaA	zaA-1

* *Relates to the issuer credit rating for S&P.*

Source: S&P Global Ratings.

FirstRand Limited's ratings reflect its status as the non-operating holding company of the FirstRand group and the entity's consequent structural subordination and reliance on dividends from operating companies to meet its obligations, which exposes it to potential regulatory impositions. It is standard practice for a holding company to be rated below the operating company (in this case, FirstRand Bank Limited). The group issues debt out of the bank, which is the credit counterparty.

04 IFRS information

144 – 196

Presentation

BASIS OF PRESENTATION

FirstRand prepared its unaudited condensed consolidated interim financial report in accordance with:

- International Financial Reporting Standard, *IAS 34 Interim Financial Reporting*;
- framework concepts and the recognition and measurement requirements of IFRS;
- interpretations issued by the IFRS Interpretation Committee (IFRS-IC);
- Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council;
- SAICA Financial Reporting Guides as issued by the Accounting Practices Committee;
- the JSE Listings Requirements; and
- requirements of the Companies Act no. 71 of 2008.

The condensed consolidated interim report for the six months ended 31 December 2018 has not been audited or independently reviewed by the group's external auditors.

ACCOUNTING POLICIES

The accounting policies applied in the preparation of the condensed consolidated interim financial report are in terms of IFRS and are consistent with those applied for the year ended 30 June 2018, except for the adoption of certain IFRS that became effective in the current year.

The condensed consolidated interim financial report is 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.

IFRS 9 – *Financial Instruments* (IFRS 9) and IFRS 15 – *Revenue from Contracts with Customers* (IFRS 15) became effective in the current year. IFRS 9, which replaces IAS 39 – *Financial Instruments: Recognition and Measurement* (IAS 39), had the most significant impact on the group. IFRS 9 introduced a principle-based approach for classifying financial assets based on the entity's business model and changed the way impairments are calculated on financial assets at amortised cost from the incurred loss model to the expected loss model.

IFRS 15, which contains a single model that is applied when accounting for contracts with customers, replaced revenue recognition guidance previously included IAS 18 – *Revenue* (IAS 18) and IFRIC 13 – *Customer Loyalty Programmes* (IFRIC 13).

The adoption of IFRS 9 and IFRS 15 impacted the group's results on the date of initial adoption, being 1 July 2018. FirstRand prepared an IFRS 9 *Transitional Report*, on which a reasonable assurance audit report was provided by the external auditors. The IFRS 9 *Transitional Report* is available on www.firstrand.co.za/InvestorCentre/IFRS 9. A summary of the changes to the accounting policies relating to IFRS 9 can be found on pages 164 to 177.

No other new or amended IFRS become effective for the six months ended 31 December 2018 that impacted the group's reported earnings, financial position or reserves, or the accounting policies.

NORMALISED RESULTS

The group 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.

All normalised entries, as included for the year ended 30 June 2018, remain unchanged following the adoption of IFRS 9, except for the reclassification of an impairment on a restructured advance. Before the adoption of IFRS 9, gross advances and impairment of advances included an amount in respect of a wholesale advance that was restructured to an equity investment. The restructure resulted in the group obtaining significant influence over the counterparty and an investment in associate was recognised. However, for normalised reporting, the amount was classified as an advance rather than an investment in an associate. Given that sufficient time has elapsed since the restructure, credit risk is now considered insignificant. The exposure is therefore deemed an equity investment rather than an advance and therefore, on adoption of IFRS 9, the amount is no longer adjusted for normalised reporting.

This *pro forma* financial information, which is the responsibility of the group'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 group's financial position, changes in equity, and results of operations or cash flows.

DESCRIPTION OF DIFFERENCE BETWEEN NORMALISED AND IFRS RESULTS

CONSOLIDATED PRIVATE EQUITY SUBSIDIARIES

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

FIRSTRAND SHARES HELD FOR CLIENT TRADING ACTIVITIES

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

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

In addition, one of the group's joint ventures also holds FirstRand shares for client trading activities. In terms of IAS 32, profits or losses cannot be recognised on an entity's own equity instruments. The group's portion of the fair value change in the FirstRand shares is, therefore, deducted from equity-accounted earnings and the carrying value of the investment recognised using the equity-accounted method. The shares held by the joint venture are not deducted from equity.

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

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

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

MARGIN RELATED ITEMS INCLUDED IN FAIR VALUE INCOME

In terms of IFRS the group is required to or has elected to measure certain financial assets and liabilities at fair value through profit or loss. In terms of the group'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 NII to NIR 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 USD funding and liquidity pool.

IAS 19 REMEASUREMENT OF PLAN ASSETS

In terms of *IAS 19 – Employee Benefits* (IAS 19), interest income is recognised on the plan assets and set off against staff costs in the income statement. All other remeasurements of plan assets are recognised in other comprehensive income. In instances where the plan asset is a qualifying insurance policy, which has a limit of indemnity, the fair value of the plan asset is limited to that limit of indemnity. The limit of indemnity continually reduces as payments are made in terms of the insurance policy. After the recognition of interest income on the plan asset, any further adjustment required to revalue the plan asset to the limit of indemnity is recognised in other comprehensive income. To the extent, therefore, that interest income on plan assets results in an increase in the fair value of the plan asset

Presentation continued

above the limit of indemnity, a downward fair value measurement is recognised in other comprehensive income. Economically, the value of the plan asset has simply reduced with claims paid. Normalised results are adjusted to reflect this by increasing staff costs for the value of the interest on the plan assets and increasing other comprehensive income.

REALISATION ON THE SALE OF PRIVATE EQUITY SUBSIDIARIES

In terms of *Circular 04/2018 Headline Earnings*, gains or losses from the sale of subsidiaries are excluded from headline earnings.

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

CASH-SETTLED SHARE-BASED PAYMENTS AND THE ECONOMIC HEDGE

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

In terms of IFRS 9, 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 (IFRS 2)*, the expense resulting from these option schemes is recognised over the vesting period of the schemes. This leads to a mismatch in the recognition of the profit or loss of the hedge and the share-based payment expense.

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

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

HEADLINE EARNINGS ADJUSTMENTS

All adjustments required by *Circular 04/2018 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 153.

Condensed consolidated income statement – IFRS

R million	Six months ended 31 December 2018 IFRS 9	Six months ended 31 December 2017 IAS 39	% change	Year ended 30 June 2018 IAS 39
Net interest income before impairment of advances	**30 126**	23 734	27	49 098
Impairment and fair value of credit of advances	**(5 021)**	(4 052)	24	(8 567)
Net interest income after impairment of advances	**25 105**	19 682	28	40 531
Non-interest revenue	**23 513**	21 389	10	44 193
Income from operations	**48 618**	41 071	18	84 724
Operating expenses	**(26 811)**	(23 708)	13	(48 462)
Net income from operations	**21 807**	17 363	26	36 262
Share of profit of associates after tax	**401**	283	42	519
Share of profit of joint ventures after tax	**86**	210	(59)	390
Income before tax	**22 294**	17 856	25	37 171
Indirect tax	**(795)**	(478)	66	(1 077)
Profit before tax	**21 499**	17 378	24	36 094
Income tax expense	**(5 162)**	(3 982)	30	(7 950)
Profit for the period	**16 337**	13 396	22	28 144
Attributable to				
Ordinary equityholders	**15 732**	12 749	23	26 546
NCNR preference shareholders and contingent convertible securities	**168**	177	(5)	466
Equityholders of the group	**15 900**	12 926	23	27 012
Non-controlling interests	**437**	470	(7)	1 132
Profit for the period	**16 337**	13 396	22	28 144
Earnings per share (cents)				
– Basic	**280.5**	227.3	23	473.3
– Diluted	**280.5**	227.3	23	473.3
Headline earnings per share (cents)				
– Basic	**237.9**	224.2	6	472.7
– Diluted	**237.9**	224.2	6	472.7

Condensed consolidated statement of other comprehensive income – IFRS

	Six months ended 31 December			Year ended 30 June
R million	**2018 IFRS 9**	2017 IAS 39	% change	2018 IAS 39
Profit for the period	**16 337**	13 396	22	28 144
Items that may subsequently be reclassified to profit or loss				
Cash flow hedges	**77**	(99)	(>100)	185
Gains arising during the period	**500**	139	>100	283
Reclassification adjustments for amounts included in profit or loss	**(393)**	(7)	>100	(26)
Deferred income tax	**(30)**	(231)	(87)	(72)
FVOCI reserve/available-for-sale financial assets	**(13)**	(86)	(85)	(650)
Losses arising during the period	**(21)**	(85)	(75)	(1 009)
Reclassification adjustments for amounts included in profit or loss	**(1)**	(22)	(95)	91
Deferred income tax	**9**	21	(57)	268
Exchange differences on translating foreign operations	**353**	(856)	(>100)	1 175
Gain/(losses) arising during the period	**353**	(856)	(>100)	1 175
Share of other comprehensive income/(loss) of associates and joint ventures after tax and non-controlling interests	**29**	54	(46)	(72)
Items that may not subsequently be reclassified to profit or loss				
Remeasurements on defined benefit post-employment plans	**(33)**	(43)	(23)	38
(Losses)/gains arising during the period	**(47)**	(60)	(22)	43
Deferred income tax	**14**	17	(18)	(5)
Other comprehensive gain/(loss) for the period	**413**	(1 030)	(>100)	676
Total comprehensive income for the period	**16 750**	12 366	35	28 820
Attributable to				
Ordinary equityholders	**16 139**	11 729	38	27 217
NCNR preference shareholders and contingent convertible securities	**168**	177	(5)	466
Equityholders of the group	**16 307**	11 906	37	27 683
Non-controlling interests	**443**	460	(4)	1 137
Total comprehensive income for the period	**16 750**	12 366	35	28 820

Condensed consolidated statement of financial position – IFRS

	As at 31 December		As at 30 June	As at 1 July
R million	**2018 IFRS 9**	2017 IAS 39	2018 IAS 39	**2018 IFRS 9**
ASSETS				
Cash and cash equivalents	**87 450**	65 805	96 024	**96 024**
Derivative financial instruments	**35 725**	53 586	42 499	**42 499**
Commodities	**17 815**	15 489	13 424	**13 424**
Investment securities	**224 126**	188 840	208 937	**211 674**
Advances	**1 172 544**	927 732	1 121 227	**1 113 398**
– Advances to customers	**1 111 824**	874 476	1 065 997	**1 058 168**
– Marketable advances	**60 720**	53 256	55 230	**55 230**
Accounts receivable	**10 346**	9 443	9 884	**8 847**
Current tax asset	**1 096**	356	378	**850**
Non-current assets and disposal groups held for sale	**–**	498	112	**112**
Reinsurance assets	**130**	133	84	**84**
Investments in associates	**5 626**	5 726	5 537	**5 343**
Investments in joint ventures	**1 818**	1 946	1 726	**1 726**
Property and equipment	**17 815**	17 859	17 936	**17 936**
Intangible assets	**10 744**	1 663	10 847	**10 847**
Investment properties	**814**	675	754	**754**
Defined benefit post-employment asset	**36**	5	36	**36**
Deferred income tax asset	**3 408**	1 936	2 884	**4 017**
Total assets	**1 589 493**	1 291 692	1 532 289	**1 527 571**
EQUITY AND LIABILITIES				
Liabilities				
Short trading positions	**6 056**	15 266	9 999	**9 999**
Derivative financial instruments	**41 949**	58 102	50 954	**50 954**
Creditors, accruals and provisions	**19 832**	16 449	19 620	**19 700**
Current tax liability	**773**	415	438	**438**
Deposits	**1 338 621**	1 040 042	1 267 448	**1 268 244**
Employee liabilities	**9 034**	8 270	11 534	**11 534**
Other liabilities	**5 758**	6 511	6 989	**6 989**
Policyholder liabilities	**4 764**	4 315	4 593	**4 593**
Additional Tier 1 and Tier 2 liabilities	**28 053**	20 048	28 439	**28 439**
Deferred income tax liability	**1 318**	958	1 477	**1 466**
Total liabilities	**1 456 158**	1 170 376	1 401 491	**1 402 356**
Equity				
Ordinary shares	**56**	56	56	**56**
Share premium	**8 017**	7 985	7 994	**7 994**
Reserves	**115 488**	104 912	112 975	**107 490**
Capital and reserves attributable to ordinary equityholders	**123 561**	112 953	121 025	**115 540**
Contingent convertible securities	**1 250**	–	1 250	**1 250**
NCNR preference shares	**4 519**	4 519	4 519	**4 519**
Capital and reserves attributable to equityholders of the group	**129 330**	117 472	126 794	**121 309**
Non-controlling interests	**4 005**	3 844	4 004	**3 906**
Total equity	**133 335**	121 316	130 798	**125 215**
Total equities and liabilities	**1 589 493**	1 291 692	1 532 289	**1 527 571**

Condensed consolidated statement of changes in equity – IFRS

for the six months ended 31 December

	Ordinary share capital and ordinary equityholders' funds					
R million	Share capital	Share premium	**Share capital and share premium**	Defined benefit post-employment reserve	Cash flow hedge reserve	
Balance as at 1 July 2017	56	7 960	**8 016**	(761)	158	
Net proceeds of issue of share capital and premium	–	–	**–**	–	–	
Disposal of subsidiaries	–	–	**–**	–	–	
Movement in other reserves	–	–	**–**	–	–	
Ordinary dividends	–	–	**–**	–	–	
Preference dividends	–	–	**–**	–	–	
Transfer (to)/from general risk reserves	–	–	**–**	–	–	
Changes in ownership interest of subsidiaries	–	–	**–**	–	–	
Movement in treasury shares	–	25	**25**	–	–	
Total comprehensive income for the period	–	–	**–**	(43)	(99)	
Balance as at 31 December 2017	56	7 985	**8 041**	(804)	59	
Balance as at 1 July 2018	56	7 994	**8 050**	(723)	343	
Restatements for IFRS 9 and IFRS 15	–	–	**–**	–	–	
Balance as at 1 July 2018 restated	56	7 994	**8 050**	(723)	343	
Net proceeds of issue of share capital and premium	–	–	**–**	–	–	
Disposal of subsidiaries	–	–	**–**	–	–	
Movement in other reserves	–	–	**–**	–	–	
Ordinary dividends	–	–	**–**	–	–	
Preference dividends	–	–	**–**	–	–	
Transfer to/(from) general risk reserves	–	–	**–**	–	–	
Changes in ownership interest of subsidiaries	–	–	**–**	–	–	
Movement in treasury shares	–	23	**23**	–	–	
Total comprehensive income for the period	–	–	**–**	(33)	77	
Balance as at 31 December 2018	56	8 017	**8 073**	(756)	420	

* *Other reserves include FVOCI.*

** *The current amount for NCNR preference shares is R4 519 million and R1 250 million for the contingent convertible securities.*

Ordinary share capital and ordinary equityholders' funds								
Share-based payment reserve	Available-for-sale reserve	Foreign currency translation reserve	Other reserves*	Retained earnings	**Reserves attributable to ordinary equity-holders**	**NCNR preference shares and contingent convertible securities****	**Non-controlling interests**	**Total equity**
9	(715)	1 690	462	100 025	**100 868**	**4 519**	**3 781**	**117 184**
–	–	–	–	–	**–**	**–**	**23**	**23**
–	–	–	–	–	**–**	**–**	**(27)**	**(27)**
–	–	–	238	(180)	**58**	**–**	**(79)**	**(21)**
–	–	–	–	(7 629)	**(7 629)**	**–**	**(289)**	**(7 918)**
–	–	–	–	–	**–**	**(177)**	**–**	**(177)**
–	–	–	(8)	8	**–**	**–**	**–**	**–**
–	–	–	–	(103)	**(103)**	**–**	**(25)**	**(128)**
–	–	–	–	(11)	**(11)**	**–**	**–**	**14**
–	(86)	(841)	49	12 749	**11 729**	**177**	**460**	**12 366**
9	(801)	849	741	104 859	**104 912**	**4 519**	**3 844**	**121 316**
4	(1 361)	2 832	599	111 281	**112 975**	**5 769**	**4 004**	**130 798**
–	1 361	–	87	(6 933)	**(5 485)**	**–**	**(98)**	**(5 583)**
4	–	2 832	686	104 348	**107 490**	**5 769**	**3 906**	**125 215**
–	–	–	–	–	**–**	**–**	**(15)**	**(15)**
–	–	–	–	–	**–**	**–**	**–**	**–**
1	–	–	(42)	33	**(8)**	**–**	**17**	**9**
–	–	–	–	(8 134)	**(8 134)**	**–**	**(346)**	**(8 480)**
–	–	–	–	–	**–**	**(168)**	**–**	**(168)**
–	–	–	(125)	125	**–**	**–**	**–**	**–**
–	–	–	–	(14)	**(14)**	**–**	**–**	**(14)**
–	–	–	–	15	**15**	**–**	**–**	**38**
–	–	346	17	15 732	**16 139**	**168**	**443**	**16 750**
5	–	3 178	536	112 105	**115 488**	**5 769**	**4 005**	**133 335**

Condensed consolidated statement of cash flows – IFRS

R million	Six months ended 31 December 2018 IFRS 9	Six months ended 31 December 2017 IAS 39	Year ended 30 June 2018 IAS 39
Cash generated from operating activities			
Interest and fee commission receipts	**70 366**	58 490	124 420
Trading and other income	**1 250**	1 410	4 693
Interest payments	**(28 994)**	(19 724)	(40 941)
Other operating expenses	**(22 326)**	(19 182)	(37 177)
Dividends received	**2 151**	2 889	5 649
Dividends paid	**(8 302)**	(7 806)	(15 387)
Dividends paid to non-controlling interests	**(346)**	(289)	(923)
Taxation paid	**(5 209)**	(4 113)	(9 414)
Cash generated from operating activities	**8 590**	11 675	30 920
Movement in operating assets and liabilities			
Liquid assets and trading securities	**(15 291)**	(21 231)	(27 540)
Advances	**(43 186)**	(42 808)	(90 785)
Deposits	**60 667**	61 484	126 565
Movement in accounts receivable and creditors	**(869)**	(1 150)	(990)
Employee liabilities	**(5 663)**	(4 902)	(5 220)
Other operating liabilities	**(9 832)**	(4 947)	(3 774)
Net cash generated from operating activities	**(5 584)**	(1 879)	29 176
Cash flows from investing activities			
Acquisition of investments in associates	**(73)**	(176)	(308)
Proceeds on disposal of investments in associates	**1 164**	11	2 276
Acquisition of investments in joint ventures	**(44)**	(354)	(361)
Acquisition of investments in subsidiaries	**–**	–	(9 634)
Proceeds on disposal of investments in subsidiaries	**–**	212	212
Acquisition of property and equipment	**(1 730)**	(1 934)	(3 577)
Proceeds on disposal of property and equipment	**500**	218	519
Acquisition of intangible assets and investment properties	**(271)**	(101)	(586)
Proceeds on disposal of intangible assets and investment properties	**–**	–	8
Proceeds on disposal of non-current assets held for sale	**326**	219	219
Net cash outflow from investing activities	**(128)**	(1 905)	(11 232)
Cash flows from financing activities			
Proceeds from the issue of other liabilities	**1 126**	656	1 673
Redemption of other liabilities	**(3 970)**	–	(862)
Proceeds from the issue of additional Tier 1 and Tier 2 liabilities	**2 265**	2 750	9 823
Repayment of additional Tier 1 and Tier 2 liabilities	**(2 701)**	(1 629)	(1 272)
Acquisition of additional interest in subsidiaries from non-controlling interests	**(14)**	(23)	(45)
Issue of share of additional interest in subsidiaries from non-controlling interests	**(15)**	23	14
Net cash inflow/(outflow) from financing activities	**(3 309)**	1 777	9 331
Net increase in cash and cash equivalents	**(9 021)**	(2 007)	27 275
Cash and cash equivalents at the beginning of the year	**96 024**	68 483	68 483
Effect of exchange rate changes on cash and cash equivalents	**447**	(671)	266
Cash and cash equivalents at the end of the period	**87 450**	65 805	96 024
Mandatory reserve balances included above*	**27 521**	25 919	26 303

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

Statement of headline earnings – IFRS

R million	Six months ended 31 December 2018 IFRS 9	Six months ended 31 December 2017 IAS 39	% change	Year ended 30 June 2018 IAS 39
Profit for the period (refer page 147)	**16 337**	13 396	22	28 144
NCNR preference shareholders and contingent convertible securities	**(168)**	(177)	(5)	(466)
Non-controlling interests	**(437)**	(470)	(7)	(1 132)
Earnings attributable to ordinary equityholders	**15 732**	12 749	23	26 546
Adjusted for	**(2 388)**	(176)	>100	(37)
Gain on investment activities of a capital nature	**(1 928)***	(31)		(29)
(Gain)/loss on disposal of available-for-sale assets	**–**	(22)		91
Gain on disposal of non-private equity associates	**(1 082)***	–		–
Gain on disposal of investments in subsidiaries	**–**	(97)		(97)
Gain on disposal of property and equipment	**(70)**	(27)		(63)
Fair value movement on investment properties	**–**	(4)		(29)
Transfer from foreign currency translation reserve	**–**	–		108
Impairment of goodwill	**–**	–		12
Impairment of assets in terms of IAS 36	**–**	–		41
Gain from a bargain purchase	**–**	–		(42)
Other	**–**	(30)		(31)
Tax effects of adjustments	**692***	13		–
Non-controlling interests adjustments	**–**	22		2
Headline earnings	**13 344**	12 573	6	26 509

* *Includes the impact of the gain on the Discovery transaction of c.R3 billion (c.R2.3 billion after tax).*

Reconciliation from headline to normalised earnings

R million	Six months ended 31 December 2018 IFRS 9	Six months ended 31 December 2017 IAS 39	% change	Year ended 30 June 2018 IAS 39
Headline earnings	**13 344**	12 573	6	26 509
Adjusted for	**(2)**	(112)	(98)	(98)
TRS and IFRS 2 liability remeasurement*	**64**	(137)		(54)
Treasury shares**	**(14)**	8		18
IAS 19 adjustment	**(52)**	(56)		(109)
Private equity-related#	**–**	73		47
Normalised earnings	**13 342**	12 461	7	26 411

* *The group uses a TRS with external parties to economically hedge itself against the exposure to changes in the FirstRand share price associated with the group's long-term incentive schemes.*
The TRS is accounted for as a derivative in terms of IFRS, with the full fair value change recognised in NIR.
In the current period, FirstRand's share price increased R1.67 and during the prior period increased by R20.10.
This results in mark-to-market volatility period-on-period being included in the group'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 146.

** *Includes FirstRand shares held for client trading activities.*

\# *Realisation of private equity subsidiaries net of private equity-related goodwill and other asset impairments.*

Reconciliation of normalised to IFRS condensed consolidated income statement

for the six months ended 31 December 2018 IFRS 9

R million	Normalised	Private equity expenses	Treasury shares*	Margin related items included in fair value income
Net interest income before impairment of advances	**29 406**	–	–	682
Impairment charge	**(5 021)**	–	–	–
Net interest income after impairment of advances	**24 385**	–	–	682
Total non-interest revenue	**21 561**	17	14	(682)
– Operational non-interest revenue	**21 080**	17	8	(682)
– Share of profit of associates and joint ventures after tax	**481**	–	6	–
Income from operations	**45 946**	17	14	–
Operating expenses	**(26 729)**	(17)	–	–
Income before tax	**19 217**	–	14	–
Indirect tax	**(795)**	–	–	–
Profit before tax	**18 422**	–	14	–
Income tax expense	**(4 475)**	–	–	–
Profit for the period	**13 947**	–	14	–
Attributable to				
NCNR preference shareholders and contingent convertible securities	**(168)**	–	–	–
Non-controlling interests	**(437)**	–	–	–
Ordinary equityholders of the group	**13 342**	–	14	–
Headline and normalised earnings adjustments	**–**	–	(14)	
Normalised earnings attributable to ordinary equityholders of the group	**13 342**	–	–	–

* *FirstRand shares held for client trading activities.*

IAS 19 adjustment	Private equity subsidiary realisations	Other headline earnings adjustments	TRS and IFRS 2 liability remeasurement	IFRS
–	–	–	38	**30 126**
–	–	–	–	**(5 021)**
–	–	–	38	**25 105**
–	–	3 080	10	**24 000**
–	–	3 080	10	**23 513**
–	–	–	–	**487**
–	–	3 080	48	**49 105**
72	–	–	(137)	**(26 811)**
72	–	3 080	(89)	**22 294**
–	–	–	–	**(795)**
72	–	3 080	(89)	**21 499**
(20)	–	(692)	25	**(5 162)**
52	–	2 388	(64)	**16 337**
–	–	–	–	**(168)**
–	–	–	–	**(437)**
52	–	2 388	(64)	**15 732**
(52)	–	(2 388)	64	**(2 390)**
–	–	–	–	**13 342**

Reconciliation of normalised to IFRS condensed consolidated income statement

for the six months ended 31 December 2017 IAS 39

R million	Normalised	Private equity expenses	Treasury shares*	Margin related items included in fair value income
Net interest income before impairment of advances	24 565	–	–	(878)
Impairment charge	(4 052)	–	–	–
Net interest income after impairment of advances	20 513	–	–	(878)
Total non-interest revenue	20 002	201	(8)	878
– Operational non-interest revenue	19 514	201	(13)	878
– Share of profit of associates and joint ventures after tax	488	–	5	–
Income from operations	40 515	201	(8)	–
Operating expenses	(23 033)	(201)	–	–
Income before tax	17 482	–	(8)	–
Indirect tax	(478)	–	–	–
Profit before tax	17 004	–	(8)	–
Income tax expense	(3 894)	–	–	–
Profit for the period	13 110	–	(8)	–
Attributable to				
NCNR preference shareholders and contingent convertible securities	(177)	–	–	–
Non-controlling interests	(472)	–	–	–
Ordinary equityholders of the group	12 461	–	(8)	–
Headline and normalised earnings adjustments	–	–	8	–
Normalised earnings attributable to ordinary equityholders of the group	12 461	–	–	–

* *FirstRand shares held for client trading activities.*

IAS 19 adjustment	Private equity subsidiary realisations	Other headline earnings adjustments	TRS and IFRS 2 liability remeasurement	IFRS
–	–	–	47	23 734
–	–	–	–	(4 052)
–	–	–	47	19 682
–	(97)	211	695	21 882
–	(97)	211	695	21 389
–	–	–	–	493
–	(97)	211	742	41 564
78	–	–	(552)	(23 708)
78	(97)	211	190	17 856
–	–	–	–	(478)
78	(97)	211	190	17 378
(22)	–	(13)	(53)	(3 982)
56	(97)	198	137	13 396
–	–	–	–	(177)
–	24	(22)	–	(470)
56	(73)	176	137	12 749
(56)	73	(176)	(137)	(288)
–	–	–	–	12 461

Reconciliation of normalised to IFRS condensed consolidated income statement

for the year ended 30 June 2018 IAS 39

R million	Normalised	Private equity expenses	Treasury shares*	Margin related items included in fair value income
Net interest income before impairment of advances	51 254	–	–	(2 252)
Impairment charge	(8 567)	–	–	–
Net interest income after impairment of advances	42 687	–	–	(2 252)
Total non-interest revenue	41 926	320	(18)	2 252
– Operational non-interest revenue	41 012	320	(13)	2 252
– Share of profit of associates and joint ventures after tax	914	–	(5)	–
Income from operations	84 613	320	(18)	–
Operating expenses	(47 664)	(320)	–	–
Income before tax	36 949	–	(18)	–
Indirect tax	(1 077)	–	–	–
Profit before tax	35 872	–	(18)	–
Income tax expense	(7 865)	–	–	–
Profit for the year	28 007	–	(18)	–
Attributable to				
NCNR preference shareholders and contingent convertible securities	(466)	–	–	–
Non-controlling interests	(1 130)	–	–	–
Ordinary equityholders of the group	26 411	–	(18)	–
Headline and normalised earnings adjustments	–	–	18	–
Normalised earnings attributable to ordinary equityholders of the group	26 411	–	–	–

* *FirstRand shares held for client trading activities.*

IAS 19 adjustment	Private equity subsidiary realisations	Other headline earnings adjustments	TRS and IFRS 2 liability remeasurement	IFRS
–	–	–	96	49 098
–	–	–	–	(8 567)
–	–	–	96	40 531
–	(27)	92	557	45 102
–	(27)	92	557	44 193
–	–	–	–	909
–	(27)	92	653	85 633
151	–	(53)	(576)	(48 462)
151	(27)	39	77	37 171
–	–	–	–	(1 077)
151	(27)	39	77	36 094
(42)	(20)	–	(23)	(7 950)
109	(47)	39	54	28 144
–	–	–	–	(466)
–	–	(2)	–	(1 132)
109	(47)	37	54	26 546
(109)	47	(37)	(54)	(135)
–	–	–	–	26 411

Reconciliation of normalised to IFRS condensed consolidated statement of financial position

as at 31 December 2018

		IFRS 9	
R million	Normalised	Treasury shares*	IFRS
ASSETS			
Cash and cash equivalents	87 450	–	87 450
Derivative financial instruments	35 725	–	35 725
Commodities	17 815	–	17 815
Investment securities	224 147	(21)	224 126
Advances	1 172 544	–	1 172 544
– Advances to customers	1 111 824	–	1 111 824
– Marketable advances	60 720	–	60 720
Accounts receivable	10 346	–	10 346
Current tax asset	1 096	–	1 096
Non-current assets and disposal groups held for sale	–	–	–
Reinsurance assets	130	–	130
Investments in associates	5 626	–	5 626
Investments in joint ventures	1 766	52	1 818
Property and equipment	17 815	–	17 815
Intangible assets	10 744	–	10 744
Investment properties	814	–	814
Defined benefit post-employment asset	36	–	36
Deferred income tax asset	3 408	–	3 408
Total assets	**1 589 462**	31	**1 589 493**
EQUITY AND LIABILITIES			
Liabilities			
Short trading positions	6 056	–	6 056
Derivative financial instruments	41 949	–	41 949
Creditors, accruals and provisions	19 832	–	19 832
Current tax liability	773	–	773
Deposits	1 338 621	–	1 338 621
Employee liabilities	9 034	–	9 034
Other liabilities	5 758	–	5 758
Policyholder liabilities	4 764	–	4 764
Additional Tier 1 and Tier 2 liabilities	28 053	–	28 053
Deferred income tax liability	1 318	–	1 318
Total liabilities	**1 456 158**	–	**1 456 158**
Equity			
Ordinary shares	56	–	56
Share premium	8 056	(39)	8 017
Reserves	115 418	70	115 488
Capital and reserves attributable to ordinary equityholders	**123 530**	31	**123 561**
Contingent convertible securities	1 250		1 250
NCNR preference shares	4 519	–	4 519
Capital and reserves attributable to equityholders of the group	**129 299**	31	**129 330**
Non-controlling interests	4 005	–	4 005
Total equity	**133 304**	31	**133 335**
Total equities and liabilities	**1 589 462**	31	**1 589 493**

* *FirstRand shares held for client trading activities.*

Reconciliation of normalised to IFRS condensed consolidated statement of financial position

as at 31 December 2017

	IAS 39		
R million	Normalised	Treasury shares*	IFRS
ASSETS			
Cash and cash equivalents	65 805	–	65 805
Derivative financial instruments	53 586	–	53 586
Commodities	15 489	–	15 489
Investment securities	188 928	(88)	188 840
Advances	927 732	–	927 732
– Advances to customers	874 476	–	874 476
– Marketable advances	53 256		53 256
Accounts receivable	9 443	–	9 443
Current tax asset	356	–	356
Non-current assets and disposal groups held for sale	498	–	498
Reinsurance assets	133	–	133
Investments in associates	5 726	–	5 726
Investments in joint ventures	1 890	56	1 946
Property and equipment	17 859	–	17 859
Intangible assets	1 663	–	1 663
Investment properties	675	–	675
Defined benefit post-employment asset	5	–	5
Deferred income tax asset	1 936	–	1 936
Total assets	1 291 724	(32)	1 291 692
EQUITY AND LIABILITIES			
Liabilities			
Short trading positions	15 266	–	15 266
Derivative financial instruments	58 102	–	58 102
Creditors, accruals and provisions	16 449	–	16 449
Current tax liability	415	–	415
Deposits	1 040 042	–	1 040 042
Employee liabilities	8 270	–	8 270
Other liabilities	6 511	–	6 511
Policyholder liabilities	4 315	–	4 315
Additional Tier 1 and Tier 2 liabilities	20 048	–	20 048
Deferred income tax liability	958	–	958
Total liabilities	1 170 376	–	1 170 376
Equity			
Ordinary shares	56	–	56
Share premium	8 056	(71)	7 985
Reserves	104 873	39	104 912
Capital and reserves attributable to ordinary equityholders	112 985	(32)	112 953
Contingent convertible securities	–	–	–
NCNR preference shares	4 519	–	4 519
Capital and reserves attributable to equityholders of the group	117 504	(32)	117 472
Non-controlling interests	3 844	–	3 844
Total equity	121 348	(32)	121 316
Total equities and liabilities	1 291 724	(32)	1 291 692

* *FirstRand shares held for client trading activities.*

Reconciliation of normalised to IFRS condensed consolidated statement of financial position

as at 30 June 2018

	IAS 39		
R million	Normalised	Treasury shares*	IFRS
ASSETS			
Cash and cash equivalents	96 024	–	96 024
Derivative financial instruments	42 499	–	42 499
Commodities	13 424	–	13 424
Investment securities	209 004	(67)	208 937
Advances	1 121 227	–	1 121 227
– Advances to customers	1 065 997	–	1 065 997
– Marketable advances	55 230	–	55 230
Accounts receivable	9 884	–	9 884
Current tax asset	378	–	378
Non-current assets and disposal groups held for sale	112	–	112
Reinsurance assets	84	–	84
Investments in associates	5 537	–	5 537
Investments in joint ventures	1 680	46	1 726
Property and equipment	17 936	–	17 936
Intangible assets	10 847	–	10 847
Investment properties	754	–	754
Defined benefit post-employment asset	36	–	36
Deferred income tax asset	2 884	–	2 884
Total assets	1 532 310	(21)	1 532 289
EQUITY AND LIABILITIES			
Liabilities			
Short trading positions	9 999	–	9 999
Derivative financial instruments	50 954	–	50 954
Creditors, accruals and provisions	19 620	–	19 620
Current tax liability	438	–	438
Deposits	1 267 448	–	1 267 448
Employee liabilities	11 534	–	11 534
Other liabilities	6 989	–	6 989
Policyholder liabilities	4 593	–	4 593
Additional Tier 1 and Tier 2 liabilities	28 439	–	28 439
Deferred income tax liability	1 477	–	1 477
Total liabilities	1 401 491	–	1 401 491
Equity			
Ordinary shares	56	–	56
Share premium	8 056	(62)	7 994
Reserves	112 934	41	112 975
Capital and reserves attributable to ordinary equityholders	121 046	(21)	121 025
Contingent convertible securities	1 250	–	1 250
NCNR preference shares	4 519	–	4 519
Capital and reserves attributable to equityholders of the group	126 815	(21)	126 794
Non-controlling interests	4 004	–	4 004
Total equity	130 819	(21)	130 798
Total equities and liabilities	1 532 310	(21)	1 532 289

* *FirstRand shares held for client trading activities.*

Reconciliation of normalised to IFRS condensed consolidated statement of financial position

as at 1 July 2018

	IFRS 9		
R million	Normalised	Treasury shares*	IFRS
ASSETS			
Cash and cash equivalents	96 024	–	96 024
Derivative financial instruments	42 499	–	42 499
Commodities	13 424	–	13 424
Investment securities	211 741	(67)	211 674
Advances	1 113 398	–	1 113 398
– Advances to customers	1 058 168	–	1 058 168
– Marketable advances	55 230	–	55 230
Accounts receivable	8 847	–	8 847
Current tax asset	850	–	850
Non-current assets and disposal groups held for sale	112	–	112
Reinsurance assets	84	–	84
Investments in associates	5 343	–	5 343
Investments in joint ventures	1 680	46	1 726
Property and equipment	17 936	–	17 936
Intangible assets	10 847	–	10 847
Investment properties	754	–	754
Defined benefit post-employment asset	36	–	36
Deferred income tax asset	4 017	–	4 017
Total assets	1 527 592	(21)	1 527 571
EQUITY AND LIABILITIES			
Liabilities			
Short trading positions	9 999	–	9 999
Derivative financial instruments	50 954	–	50 954
Creditors, accruals and provisions	19 700	–	19 700
Current tax liability	438	–	438
Deposits	1 268 244	–	1 268 244
Employee liabilities	11 534	–	11 534
Other liabilities	6 989	–	6 989
Policyholder liabilities	4 593	–	4 593
Additional Tier 1 and Tier 2 liabilities	28 439	–	28 439
Deferred income tax liability	1 466	–	1 466
Total liabilities	1 402 356	–	1 402 356
Equity			
Ordinary shares	56	–	56
Share premium	8 056	(62)	7 994
Reserves	107 449	41	107 490
Capital and reserves attributable to ordinary equityholders	115 561	(21)	115 540
Contingent convertible securities	1 250	–	1 250
NCNR preference shares	4 519	–	4 519
Capital and reserves attributable to equityholders of the group	121 330	(21)	121 309
Non-controlling interests	3 906	–	3 906
Total equity	125 236	(21)	125 215
Total equities and liabilities	1 527 592	(21)	1 527 571

* *FirstRand shares held for client trading activities.*

Impact of adopting revised accounting standards

at 1 July 2018

The group adopted IFRS 9 and IFRS 15 during the current period. The group, as permitted by these standards, elected to not restate any comparative information. Accordingly, the impact of adopting the revised requirements has been applied retrospectively with an adjustment to the group's 1 July 2018 opening reserves. Reported information in the prior interim period and the financial year to 30 June 2018 were unaffected by the application of IFRS 9 and IFRS 15.

NOTE	REQUIREMENT	DESCRIPTION OF CHANGE	IMPACT ON FIRSTRAND GROUP
1 and 2	**Classification and measurement**	IFRS 9 introduced a principle-based approach for classifying financial assets, based on the entity's business model (for example how an entity manages its financial assets to generate cash flows) and the nature of its cash flows. Financial assets held to collect contractual cash flows, which relate solely to payments of principal and interest (SPPI), are classified at amortised cost. Financial assets held in a mixed business model (for example, held to collect contractual cash flows which meet the SPPI test and held for sale) are classified at fair value through other comprehensive income (FVOCI). All other financial assets held under a different business model or cash flows that do not meet the SPPI test are classified at FVTPL. The classification of financial liabilities remains relatively unchanged, with the exception of financial liabilities designated at fair value. Any changes in the fair value of the liability due to the entity's own credit risk will now be recognised in other comprehensive income. IFRS 9 also allows for the once-off reclassification of financial liabilities.	The group's approach was to first reclassify the items, and then to remeasure the item. Based on the business model assessments performed, the following were the significant reclassifications and remeasurements: > R143 690 million of advances (net of IAS 39 impairments) in the RMB IB division and a minor portfolio within FNB commercial were reclassified from FVTPL to amortised cost. These advances are held with the intention of collecting the cash flows that meet the SPPI test, resulting in a measurement adjustment of R238 million. > Advances to empowerment development funds were reclassified from amortised cost to FVTPL as these advances do not meet the SPPI test, and the off-market impact of R65 million was reclassified to investment in associates. > R66 194 million investment securities held in the group's liquid asset portfolio were reclassified from available-for-sale to amortised cost because they are held to collect contractual cash flows that meet the SPPI test. R16 224 million was reclassified to FVOCI as it is held in a mixed business model, resulting in a R1 844 million (pre-tax) release of available-for-sale reserve. > R1 010 million net interest in post-retirement employee liability first party cell captives was reclassified from accounts receivable to investment securities classified as FVTPL because it does not meet the SPPI test, with no change in measurement. > Deposits worth R59 237 million were reclassified from FVTPL to amortised cost to ensure that the measurement of liabilities matches the measurement of the assets which they fund, resulting in a R796 million remeasurement.

NOTE	REQUIREMENT	DESCRIPTION OF CHANGE	IMPACT ON FIRSTRAND GROUP
3	**ECL impairment**	IFRS 9 introduced an expected credit loss (ECL) model which includes the incorporation of forward-looking information (FLI) for the recognition of impairments on financial assets. It is no longer required that a credit event occurs before credit losses are recognised. This applies to financial assets classified at amortised cost and FVOCI, lease receivables and trade receivables. It also applies to loan commitments, unutilised facilities and financial guarantee contracts not designated at FVTPL, referred to collectively as off-balance sheet exposures. The level of ECL to be recognised is determined with reference to the credit risk of the asset at reporting date in relation to its credit risk at origination. Where the credit risk has not increased significantly since origination, impairment is calculated based on a 12-month ECL. If there has been a significant increase in credit risk (SICR), impairment is based on lifetime expected credit loss (LECL).	The revised impairment requirements increased impairments by R8 598 million, excluding ISP, due to earlier recognition of ECL, incorporating FLI, the inclusion of off-balance sheet exposures and the extension of the measurement period.
3.1	**Other ECL**	Debt investment securities comprising government and corporate bonds were classified as available-for-sale under IAS 39. These securities are short dated and held under a business model to collect contractual cash flows until maturity. These contractual cash flows are SPPI and these debt investment securities have therefore been classified at amortised cost under IFRS 9.	Accordingly, an ECL provision of R117 million has been raised against these securities, referenced to the sovereign credit rating where these relate to government bonds. As a result of the reclassification, the available-for-sale reserve of R1 844 million (net of tax R1 361 million) was released, resulting in an adjustment to the carrying amount of the investment securities and the non-distributable reserves. An ECL provision of R27 million has been raised on non-advances with credit risk, such as accounts receivable, which were not previously provided for under IAS 39.
3.2	**Associates and joint ventures**	Investments in associates and joint ventures	The impact of IFRS 9 adoption by associates and joint ventures of the group resulted in a R259 million reduction of the group's equity accounted investment in associates due to ECL impairment of the financial assets held by the associates and joint ventures.

Impact of adopting revised accounting standards continued

at 1 July 2018

NOTE	REQUIREMENT	DESCRIPTION OF CHANGE	IMPACT ON FIRSTRAND GROUP
4	**Hedge accounting**	IFRS 9 more closely aligns hedge accounting with the entity's risk management policies and permits the use of internally produced risk management information as a basis for hedge accounting, thereby widening the range of items that can be hedge accounted.	The revised hedge accounting requirements were applied by the group prospectively, as required by IFRS 9, to its existing hedge accounting relationships and as such did not have an impact on the amounts recognised on the date of initial application (DIA). However, hedge documentation was updated to comply with the requirements of IFRS 9.
5	**ISP**	In terms of IAS 39 ISP was not capitalised to advances and interest suspended was tracked and managed separately off-balance sheet. Under IFRS 9, interest revenue is calculated by applying the effective interest rate to the amortised cost of financial assets classified in stage 3. The difference between the contractual interest and the interest recognised in line with IFRS 9 is therefore suspended. This suspended interest is capitalised to the advance and immediately impaired.	ISP is recognised against the ECL allowance, reflecting the fact that it is unrecoverable and therefore impaired. To the extent that the impairment coverage ratio under IAS 39 is identical to that under IFRS 9, the impact of ISP on transition to IFRS 9 is a gross-up of the advance and loss allowance by the amount of the suspended interest, with no impact on retained earnings. Where the coverage ratios under the two standards differ, the difference is reflected in retained earnings. The amount of ISP recognised under IFRS 9 was also impacted by the reclassification of RMB IB and certain FNB commercial advances from FVTPL to amortised cost. ISP is not calculated on advances at FVTPL. The amount of ISP under IAS 39 was R2 079 million and the ISP on the reclassified book amounted to R162 million. The impact of these amounts resulted in a gross-up of advances amounting to R2 241 million. The change in ISP due to the difference in coverage ratio was R596 million, with a deferred tax impact of R166 million. ISP under IFRS 9 is R1 645 million and is recognised against the credit loss allowance. For a detailed reconciliation of the impact of ISP, please refer to the *IFRS 9 Transition Report.*

NOTE	REQUIREMENT	DESCRIPTION OF CHANGE	IMPACT ON FIRSTRAND GROUP
6	**IFRS 15**	IFRS 15 contains a single model that is applied when accounting for contracts with customers. It replaces substantially all the current revenue recognition guidance, except for contracts that are out of scope, e.g. leases and insurance. The model specifies that revenue is recognised as and when control of goods or services are transferred to a customer, and that revenue is recognised at the amount that an entity expects to receive. Depending on certain criteria, revenue is recognised at a point in time or over time.	IFRS 15 requires that goods and services are split into their separate performance obligations and that the revenue from each performance obligation is recognised at a point in time or over time depending on the specific criteria for revenue recognition. The transition to IFRS 15 resulted in the deferral of revenue relating to value added products and services provided to customers by WesBank. The application of the revised requirements resulted in an adjustment of R74 million on the DIA.

Transition impact on IFRS consolidated financial position

as at 1 July 2018

R million	Notes	As reported 30 June 2018 IAS 39	IFRS 9 adjustments Reclassification	Remeasurement	ECL impairment
			Note 1	Note 2	Note 3
ASSETS					
Investment securities	3.1	208 937	1 010	1 844	(117)
Advances		1 121 227	(65)	238	(8 598)*
Accounts receivable	3.1	9 884	(1 010)	–	(27)
Current tax asset		378	2	(8)	478
Investments in associates and joint ventures	3.2	7 263	65	–	(259)
Deferred income tax asset		2 884	(2)	(382)	1 683
Other financial assets		138 523	–	–	–
Non-financial assets		43 193	–	–	–
Total assets		1 532 289	–	1 692	(6 840)
EQUITY AND LIABILITIES					
Liabilities					
Creditors, accruals and provisions		19 620	–	–	6
Current tax liability		438	–	–	–
Deposits		1 267 448	–	796	–
Other liabilities		6 989	–	–	–
Deferred income tax liability		1 477	–	–	(11)
Other financial liabilities		79 393	–	–	–
Non-financial liabilities		26 126	–	–	–
Total liabilities		1 401 491	–	796	(5)
Equity					
Ordinary shares		56	–	–	–
Share premium		7 994	–	–	–
Reserves		112 975	9	887	(6 737)
Capital and reserves attributable to ordinary equityholders		121 025	9	887	(6 737)
Contingent convertible securities		1 250	–	–	–
NCNR preference shares		4 519	–	–	–
Capital and reserves attributable to equityholders of the group		126 794	9	887	(6 737)
Non-controlling interests		4 004	(9)	9	(98)
Total equity		130 798	–	896	(6 835)
Total equities and liabilities		1 532 289	–	1 692	(6 840)

* *Net of ISP of R2 241 million.*

Refer to detailed explanations on pages 164 to 167.

IFRS 9 adjustments				
ISP	Total IFRS 9 adjustments	**Restated 1 July 2018 for IFRS 9**	IFRS 15	**Total restated as at 1 July 2018**
Note 5			Note 6	
–	2 737	**211 674**	–	**211 674**
596	(7 829)	**1 113 398**	–	**1 113 398**
–	(1 037)	**8 847**	–	**8 847**
–	472	**850**	–	**850**
–	(194)	**7 069**	–	**7 069**
(166)	1 133	**4 017**	–	**4 017**
–	–	**138 523**	–	**138 523**
–	–	**43 193**	–	**43 193**
430	(4 718)	**1 527 571**	–	**1 527 571**
–	6	**19 626**	74	**19 700**
–	–	**438**	–	**438**
–	796	**1 268 244**	–	**1 268 244**
–	–	**6 989**	–	**6 989**
–	(11)	**1 466**	–	**1 466**
–	–	**79 393**	–	**79 393**
–	–	**26 126**	–	**26 126**
–	791	**1 402 282**	74	**1 402 356**
–	–	**56**	–	**56**
–	–	**7 994**	–	**7 994**
430	(5 411)	**107 564**	(74)	**107 490**
430	(5 411)	**115 614**	(74)	**115 540**
–	–	**1 250**	–	**1 250**
–	–	**4 519**	–	**4 519**
430	(5 411)	**121 383**	(74)	**121 309**
–	(98)	**3 906**	–	**3 906**
430	(5 509)	**125 289**	(74)	**125 215**
430	(4 718)	**1 527 571**	–	**1 527 571**

Reconciliation of IFRS consolidated statement of changes in equity
as at 1 July 2018

R million	Note	Share capital and share premium	Defined benefit post-employment reserve	Cash flow hedge reserve	Share-based payment reserve	Available-for-sale reserve
Balance as at 30 June 2018 IAS 39		**8 050**	**(723)**	**343**	**4**	**(1 361)**
Opening retained earnings adjustment for IFRS 9		**–**	**–**	**–**	**–**	**1 361**
Reclassification	1	–	–	–	–	1 361
Remeasurement		–	–	–	–	–
ECL impairment		–	–	–	–	–
ISP		–	–	–	–	–
Opening retained earnings adjustment for IFRS 15		**–**	**–**	**–**	**–**	**–**
Balance as at 1 July 2018		**8 050**	**(723)**	**343**	**4**	**–**

* *Other reserves include the FVOCI reserve.*

Refer to detailed note explanation on page 164.

Ordinary share capital and ordinary equityholders' funds						
Foreign currency translation reserve	Other reserves*	Retained earnings	Reserves attributable to ordinary equityholders	NCNR preference shares and contingent convertible securities	Non-controlling interests	Total equity
2 832	599	111 281	112 975	5 769	4 004	130 798
–	87	(6 859)	(5 411)	–	(98)	(5 509)
–	84	(1 436)	9	–	(9)	–
–	–	887	887	–	9	896
–	3	(6 740)	(6 737)	–	(98)	(6 835)
–	–	430	430	–	–	430
–	–	(74)	(74)	–	–	(74)
2 832	686	104 348	107 490	5 769	3 906	125 215

Summary accounting policies

The following is an extract of the changes made to the accounting policies as a result of the implementation of IFRS 9 and IFRS 15.

CLASSIFICATION AND MEASUREMENT	
Initial measurement	All financial instruments are initially measured at fair value including transaction costs, except for those classified as FVTPL, where the transaction costs are expenses on the transaction date. Immediately after initial recognition, an ECL allowance is recognised for newly originated financial assets measured at amortised cost, and debt instruments measured at fair value through other comprehensive income.
Subsequent measurement of financial assets	Management determines the classification of its financial assets at initial recognition based on: > the group's business model for managing the financial assets; and > the contractual cash flow characteristics of the financial asset.
Subsequent measurement of financial liabilities	Financial liabilities are subsequently measured at amortised cost, unless they meet the definition of mandatory FVTPL or are specifically designated at FVTPL.
Business model	The group distinguishes three main business models for managing financial assets: > holding financial assets to collect contractual cash flows; > managing financial assets and liabilities on a fair value basis or selling financial assets; and > a mixed business model of collecting contractual cash flows and selling financial assets. The business model assessment is not performed on an instrument-by-instrument basis, but at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. This assessment is done for each legal reporting entity at least at a business level, although businesses could perform the assessment on a portfolio or sub-portfolio level, depending on the manner in which groups of financial assets are managed. The main consideration in determining the different business models is whether the objectives of the business model are met primarily through holding the financial assets to collect contractual cash flows, through the sale of these financial assets, by managing assets and liabilities on a fair value basis, or through a combination of these activities. One of the factors considered, when determining whether the business objective is achieved primarily through collecting contractual cash flows, is the frequency and significance of sales of financial assets out of these portfolios for purposes other than managing credit risk. For the purposes of performing the business model assessment, the group only considers a transaction a sale if the asset is derecognised for accounting purposes. If sales of financial assets are not infrequent, the significance of these sales is determined by comparing the amounts of assets sold during the period and cumulatively to the total carrying amount of assets held in the business model. If sales are either infrequent or insignificant, these will not impact the conclusion that the business model is to collect contractual cash flows. A change in one or more business models of the group only occurs on the rare occasion when the group genuinely changes the way in which it manages a financial asset. Any changes in business model would result in a reclassification of the relevant financial assets from the beginning of the next reporting period.
Cash flow characteristics	In order for a debt instrument to be measured at amortised cost or FVOCI, the cash flows associated with the asset have to be SPPI, consistent with those of a basic lending agreement. The SPPI test is applied on a portfolio basis for retail advances, as the cash flow characteristics of these assets are standardised. This includes the consideration of any prepayment penalties that are limited by consumer credit regulation, and can therefore be considered reasonable compensation which would not cause these assets to fail the SPPI test. For wholesale advances, the SPPI test is applied to individual advances at initial recognition, based on the cash flow characteristics of the asset. Wholesale advances that do not pass the SPPI test and that have to be measured at FVTPL include advances with equity participation features, convertible bonds and payments linked to commodity or other prices. If the contract contains prepayment penalties, the amount of the prepayment penalty is compared to the present value of the margin that would be earned if the loan is not prepaid. If the amount of the prepayment penalty is lower than or equal to the margin lost due to prepayment, this is considered reasonable compensation and the loan passes the SPPI test.

IMPAIRMENT OF FINANCIAL ASSETS

This policy applies to:

- financial assets, measured at amortised cost, including financial accounts receivable and cash;
- debt instruments measured at FVOCI;
- loan commitments;
- financial guarantees; and
- finance lease debtors where the group is the lessor.

IFRS 9 establishes a three-stage approach for the impairment of financial assets:

Stage 1	At initial recognition, the financial asset is classified as stage 1 and 12-month ECL is recognised. This is a credit loss related to default events expected to occur within the next 12 months.
Stage 2	If the asset has experienced a SICR since initial recognition but the asset is not credit impaired, it is classified as stage 2, and LECL is recognised.
Stage 3	If the asset has become credit impaired since initial recognition, it is classified as stage 3, with ECL measured and recognised on a lifetime basis.

ECL are calculated by multiplying the exposure at default (EAD) of a financial asset by the probability of default (PD) and the loss given default (LGD) of the asset and by discounting this figure to the reporting date, using the original effective interest rate. Impairment losses are recognised in profit or loss. The loss allowance on debt instruments measured at FVOCI is recognised in other comprehensive income.

In the section below, the term financial asset also refers to loan commitments, finance lease debtors where the group is the lessor and financial guarantees, unless stated otherwise.

DEFINITIONS

SICR since initial recognition	In order to determine whether an advance has experienced a SICR, the PD of the asset calculated at the origination date is compared to that calculated at the reporting date. The origination date is defined to be the most recent date at which the group had an opportunity to price or re-price the advance based on the outcome of either the original or up-to-date risk assessment. SICR test thresholds have been determined at a portfolio level and are reassessed and, if necessary, updated, on at least an annual basis. Any facility that is more than 30 days past due, or in the case of instalment-based products one instalment past due, is automatically considered to have experienced a SICR. In addition to the quantitative assessment based on PDs, qualitative considerations are applied when determining whether individual exposures have experienced a SICR. One such qualitative consideration is the appearance of wholesale and commercial SME facilities on a credit watch list. Any up-to-date facility that has undergone a distressed restructure (such as a modification of contractual cash flows to prevent a client from going into arrears) will be considered to have experienced a SICR. The credit risk on an exposure is no longer considered to be significantly higher than at origination if no qualitative indicators of a significant increase in credit risk are triggered, and if comparison of the reporting date PD to the origination date PD no longer indicates that a significant increase in credit risk has occurred. When it no longer meets SICR requirements it cures back from stage 2 to stage 1, with the exception of distressed restructured exposures, which are required to remain in stage 2 for a minimum period before re-entering stage 1.
Low credit risk	Financial assets with low credit risk are assumed not to have experienced a SICR since initial recognition. The group does not use the low credit risk assumption for advances.

Summary accounting policies continued

IMPAIRMENT OF FINANCIAL ASSETS continued

DEFINITIONS	
Credit-impaired financial assets	Advances are considered credit impaired if they meet the definition of default. The definition of default applied by the group for calculating provisions under IFRS 9 has been aligned to the definition applied for regulatory capital calculations across all portfolios, to operational management of credit and for internal risk management purposes. Exposures are considered to be in default when they are more than 90 days past due or, in the case of amortising products, have more than three unpaid instalments. In addition, an exposure is considered to have defaulted when there are qualitative indicators that the borrower is unlikely to pay their credit obligations in full without any recourse by the group to actions such as the realisation of security. Indicators of the unlikelihood to pay are determined based on the requirements of Regulation 67 of the Banks Act. Examples include application for bankruptcy or obligor insolvency. Any distressed restructures of accounts that have experienced a SICR since initial recognition are defined as default events. Accounts are considered to no longer be in default if they meet the stringent cure definition which has been determined at a portfolio level based on an analysis of redefault rates.
Write-offs	Write-off must occur when it is not economical to pursue further recoveries i.e. there is no reasonable expectation of recovering the carrying amount of the asset (gross amount less specific impairments raised). > By implication, in both retail and wholesale, for secured as well as unsecured exposures, write-offs cannot occur if there is evidence of recent payment behaviour. Each credit portfolio has articulated a write-off policy that aligns with the principles of IFRS 9 while taking the business context of that portfolio into account. > Within retail portfolios, write-off definitions have been determined with reference to analysis of the materiality of post write-off recoveries. Within wholesale exposures, a judgemental approach to write-off is followed based on a case-by-case basis by a credit committee. Partial write-offs are not performed within credit portfolios. Where required, additional provisions against irrecoverable assets will be raised until such a time as final write-off can occur.

IMPAIRMENT OF FINANCIAL ASSETS continued

DEFINITIONS	
Modifications and derecognition	Financial instruments are derecognised when: > the contractual rights and obligations expire or are extinguished, discharged or cancelled, for example an outright sale or settlement; > they are transferred and the derecognition criteria of IFRS 9 are met; or > the contractual terms of the instrument are substantially modified and the derecognition criteria of IFRS 9 are met. Financial assets are derecognised when the group has either transferred the contractual right to receive cash flows from the asset or it has assumed an obligation to pay over all the cash flows from the asset to another entity (such as the passthrough arrangement under IFRS 9). If the contractual cash flows of a financial asset measured at amortised cost are modified (changed or restructured, including distressed restructures), the group determines whether this is a substantial modification, which results in the derecognition of the existing asset and the recognition of a new asset, or whether the change is simply a non-substantial modification of the existing terms which does not result in derecognition. A modification of a financial asset is substantial, and thus results in derecognition of the original financial asset, where the modified contractual terms are priced to reflect current conditions on the date of modification, and are not merely an attempt to recover outstanding amounts. Where the modification does not result in an accounting derecognition the original asset continues to be recognised. Derecognition of financial liabilities includes when there is a substantial modification to the terms and conditions of an existing financial liability. A substantial modification to the terms occurs where the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10% different from the discounted present value of the remaining cash flows of the original financial liability.
STAGE CLASSIFICATION AND ECL OF OTHER FINANCIAL ASSETS	
Cash and cash equivalents	All physical cash is classified as stage 1. Cash equivalents are classified as stage 1 unless specific evidence of impairment exists, in which case these assets are classified as stage 3 and are reclassified out of cash and cash equivalents. ECL for physical cash is zero. ECL for cash equivalents is calculated using the loss rate approach.
Accounts receivable	ECL for accounts receivable is calculated using the loss rate approach. This results in LECL being recognised.
Investment securities	Impairment parameters for investment securities (PDs, LGDs and EADs) are determined using appropriate models, with the models to be applied taking into consideration the issuer of the security and the nature of the debt instrument. The tests for SICR and default definitions are then applied and the ECL calculated in the same way as for advances. The SICR thresholds applied for investment securities are the same as those applied within the wholesale credit portfolio, to ensure consistency in the way that a SICR is identified for a counterparty and for similar exposures. The group does not use the low credit risk assumption for investment securities, including government bonds.

HEDGE ACCOUNTING

The requirements for general hedge accounting under IFRS 9 do not fundamentally change the requirements of IAS 39. The requirements will be applied by the group prospectively and as such did not have a quantitative impact on the amounts recognised in the annual financial statements upon adoption of IFRS 9.

Summary accounting policies continued

REVENUE RECOGNITION

NON-INTEREST REVENUE RECOGNISED IN PROFIT OR LOSS

Non-interest revenue from contracts with customers

Revenue is measured based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties. At contract inception, an assessment of goods and services promised in a contract with a customer is performed to identify a performance obligation for each promise to transfer goods or services to the customer.

The group earns fee and commission income by providing banking and related services to its customers. It also earns commissions on products and services sold to these customers, where the products and services may be provided by external entities.

Other non-interest revenue includes revenue relating to products and services sold to customers, where the underlying products and services are provided by the group through various of its subsidiaries.

NET FEE AND COMMISSION INCOME

Fee and commission income

The fee and commissions income the group earns from providing customers with services and selling products and services provided by external entities, consists of the following main categories:

- banking fees and commissions;
- non-banking fees and commissions;
- insurance commissions (excluding insurance risk-related income); and
- management, trust and fiduciary fees.

Fees and commissions that form an integral part of the effective interest rate are excluded from fee and commission income and are recognised as part of net interest revenue.

All other fees and commissions earned from customers are recognised as the group satisfies its performance obligations, which can either be satisfied at a specific point in time or over a period of time.

For fees earned on the execution of a significant act, the performance obligation is satisfied when the significant act or transaction takes place. These fees typically include transactional banking fees, such as bank charges, interchange fees, point-of-sale fees, exchange commissions, cash deposit fees and knowledge-based fee and commission income.

Where the performance obligation is satisfied over a period of time, the fees are recognised as follows:

- fees for services rendered are recognised on an accrual basis as the service is rendered and the group's performance obligation is satisfied, e.g. annual card fees and asset management and related fees;
- commission income on bills and promissory notes endorsed is credited to profit or loss over the life of the relevant instrument on a time apportionment basis; and
- commitment fees paid upfront for a future facility, where it is not probable that a specific lending arrangement will be entered into by the group, are recognised as revenue on a straight-line basis over the period for which the funds are kept available.

Commissions earned on the sale of insurance products to customers of the group on behalf of an insurer, as well as the income arising from third-party insurance cell captives and profit share agreements, are recognised as fee and commission income.

Other non-banking fee and commission income relates to fees and commissions earned for rendering services to customers other than those related to the banking, insurance and asset management operations. This includes fee and commission income earned from providing services on behalf of third-party service providers, and commission earned from the sale of prepaid airtime, data vouchers, electricity and traffic fines paid through FNB channels.

NET FEE AND COMMISSION INCOME	
Fee and commission expenses	Fee and commission expenses are expenses that are incremental and directly attributable to the generation of fee and commission income and are recognised as part of fee and commission income. These include transaction and service fees, which are expensed as the services are received.
Other non-interest revenue from customers	The group, through its various subsidiaries in the operating businesses, sells the following value-added products and services to customers: > vehicle-related products consisting of warranties, bodyline maintenance contracts and vehicle maintenance and service products; and > telecommunication products and services which consist of smart devices, data and airtime contracts, and bundled products. Other non-interest revenue from contracts with customers consists of sales transactions which occur within the group. The related revenue, net of any finance components of revenue, is recognised as soon as the goods are delivered to the customer.
Customer loyalty programmes	The group operates a customer loyalty programme, eBucks, in terms of which it undertakes to provide reward credits to certain customers to buy goods and services. The group defers an amount of revenue as a result of providing these reward credits to customers. The amount deferred is equal to the maximum cash flow that could be required in order to settle the liability with the customer. The deferred revenue in respect of which the eBucks liability is raised is recognised as revenue in the period in which the customer utilises their reward credits. Expenses relating to the provision of the reward credits are recognised as fee and commission expenses as incurred.

Fair value measurements

VALUATION METHODOLOGY

In terms of IFRS, the group is required to or elects to measure and/or disclose certain assets and liabilities at fair value. The group has established control frameworks and processes at a franchise level to independently validate its valuation techniques and inputs used to determine its fair value measurements. At a franchise level, 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 group level. They are responsible for overseeing the valuation control process and for 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 group 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 Non-current Assets Held for Sale and Discontinued Operations* (IFRS 5), where the recoverable amount is based on the fair value less costs to sell; and
- *IAS 36 Impairment of Assets* (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 group uses a price within the bid-ask spread that is most representative of fair value in the circumstances.

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

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 195, 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 group classifies assets and liabilities measured at fair value using a fair value hierarchy that reflects whether observable or unobservable inputs are used in determining the fair value of the item. 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 group cannot mark-to-market, it applies a mark-to-model approach, subject to valuation adjustments. Mark-to-model is defined as any valuation which has to be benchmarked, extrapolated or otherwise calculated from a market input. The group will consider the following in assessing whether a mark-to-model valuation is appropriate:

- as far as possible, market inputs are sourced in line with market prices;
- generally accepted valuation methodologies are consistently used for particular products unless deemed inappropriate by the relevant governance forums;
- where a model has been developed in house, it is based on appropriate assumptions, which have been assessed and challenged by suitably qualified parties independent of the development process;
- formal change control procedures are in place;
- awareness of the weaknesses of the models used and appropriate reflection in the valuation output;
- the model is subject to periodic review to determine the accuracy of its performance; and
- valuation adjustments are only made when appropriate, for example, to cover the uncertainty of the model valuation. The group considers factors such as counterparty and own credit risk when making appropriate valuation adjustments.

FAIR VALUE HIERARCHY AND MEASUREMENTS *continued*

MEASUREMENT OF ASSETS AND LIABILITIES AT LEVEL 2

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

INSTRUMENT	VALUATION TECHNIQUE	DESCRIPTION OF VALUATION TECHNIQUE AND MAIN ASSUMPTIONS	OBSERVABLE INPUTS
DERIVATIVE FINANCIAL INSTRUMENTS			
Forward rate agreements	Discounted cash flows	Future cash flows are projected using a forward curve and then discounted using a market-related discount curve over the contractual period. The reset date is determined in terms of legal documents.	Market interest rates, 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 cash flow 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. 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

Fair value measurements continued

FAIR VALUE HIERARCHY AND MEASUREMENTS *continued*

INSTRUMENT	VALUATION TECHNIQUE	DESCRIPTION OF VALUATION TECHNIQUE AND MAIN ASSUMPTIONS	OBSERVABLE INPUTS
INVESTMENT SECURITIES			
Equities listed in an inactive market	Discounted cash flows	For listed equities, the listed price is used where the market is active (i.e. level 1). However, if the market is not active and the listed price is not representative of fair value, a valuation technique is used to determine the fair value. The valuation technique will be based on risk parameters of comparable securities and the potential pricing difference in spread and/or price terms with the traded comparable is considered. Future cash flows are discounted using market-related interest rates. Where the valuation technique incorporates observable inputs, level 2 of the fair value hierarchy is deemed appropriate.	Market interest rates and interest rate curves
Unlisted bonds or bonds listed in an inactive market	Discounted cash flows	Unlisted bonds or bonds listed in an inactive market are valued similarly to advances measured at fair value. Future cash flows are discounted using market-related interest rates adjusted for credit inputs over the contractual period. Where the valuation technique incorporates observable inputs for credit risk, level 2 of the fair value hierarchy is deemed appropriate.	Market interest rates and 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 and other government and government guaranteed stock	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

FAIR VALUE HIERARCHY AND MEASUREMENTS *continued*

INSTRUMENT	VALUATION TECHNIQUE	DESCRIPTION OF VALUATION TECHNIQUE AND MAIN ASSUMPTIONS	OBSERVABLE INPUTS
INVESTMENT SECURITIES continued			
Non-recourse investments	Discounted cash flows	Future cash flows are discounted using a discount rate which is determined as a base rate plus a spread. The base rate is determined by the legal agreements as either a bond or swap curve. The spread approximates the level of risk attached to the cash flows. When there is a change in the base rate in the market, the valuation is adjusted accordingly. The valuation model is calibrated to reflect transaction price at initial recognition.	Market interest rates and 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 group places reliance on valuations from third parties such as broker quotes or valuations from asset managers. Where considered necessary, the group applies minority and marketability or liquidity discount adjustments to these third-party valuations. Third-party valuations are reviewed by the relevant franchise's investment committee on a regular basis. Where these underlying investments are listed, these third-party valuations can be corroborated with reference to listed share prices and other market data and are thus classified in level 2 of the fair value hierarchy.	Market transactions (listed)
DEPOSITS			
Call and non-term deposits	None – the undiscounted amount is used	The undiscounted amount of the deposit is the fair value due to the short-term nature of the instruments. These deposits are financial liabilities with a demand feature and the fair value is not less than the amount payable on demand, i.e. the undiscounted amount of the deposit.	None – the undiscounted amount approximates fair value and no valuation is performed
Non-recourse deposits	Discounted cash flows	Fair value for interest rate and foreign exchange risk with no valuation adjustment for own credit risk. Valuation adjustments are affected by changes in the applicable credit ratings of the assets.	Market interest rates, foreign exchange rates and credit inputs
Other deposits	Discounted cash flows	The forward curve adjusted for liquidity premiums and business unit margins. The valuation methodology does not take early withdrawals and other behavioural aspects into account.	Market interest rates and 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 or performance of underlying

Fair value measurements continued

FAIR VALUE HIERARCHY AND MEASUREMENTS *continued*

INSTRUMENT	VALUATION TECHNIQUE	DESCRIPTION OF VALUATION TECHNIQUE AND MAIN ASSUMPTIONS	OBSERVABLE INPUTS
POLICYHOLDER LIABILITIES UNDER INVESTMENT CONTRACTS			
Unit-linked contracts or contracts without fixed benefits	Adjusted value of underlying assets	The underlying assets related to the contracts are recognised by the group. The investment contracts require the group to use these assets to settle the liabilities. The fair value of investment contract liabilities, therefore, is determined with reference to the fair value of the underlying assets. The fair value is determined using the current unit price of the underlying unitised assets linked to the liability and multiplying this by the number of units attributed to the policyholders at reporting date. The fair value of the liability is never less than the amount payable on surrender, discounted for the required notice period where applicable.	Spot price of underlying
Contracts with fixed and guaranteed terms	Discounted cash flows	The liability fair value is the present value of the future payments, adjusted using appropriate market-related yield curves to maturity.	Market interest rates and interest rate curves
Financial assets and liabilities not measured at fair value but for which fair value is disclosed	Discounted cash flows	Future cash flows are discounted using market-related interest rates and curves adjusted for credit inputs.	Market interest rates and interest rate curves

FAIR VALUE HIERARCHY AND MEASUREMENTS *continued*

MEASUREMENT OF ASSETS AND LIABILITIES AT LEVEL 3

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

INSTRUMENT	VALUATION TECHNIQUE	DESCRIPTION OF VALUATION TECHNIQUE AND MAIN ASSUMPTIONS	SIGNIFICANT UNOBSERVABLE INPUTS OF LEVEL 3 ITEMS
DERIVATIVE FINANCIAL INSTRUMENTS			
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 group has elected to designate a significant portion of the investment banking book of advances at fair value through profit or loss. Credit risk is not observable and could have a significant impact on the fair value measurement of these advances and as such, these advances are classified as level 3 on the fair value hierarchy. Future cash flows are discounted using market-related interest rates, adjusted for credit inputs. To calculate the fair value of credit the group uses a valuation methodology based on the credit spread matrix, which considers loss given default, tenor and the internal credit committee rating criteria. The fair value measurement includes the original credit spread and is repriced when there is a change in rating of the counterparty. A decline in credit rating would result in an increase in the spread above the base rate for discounting purposes and consequently a reduction of the fair value of the advance. Similarly an increase in credit rating would result in a decrease in the spread below the base rate and an increase of the fair value of the advance.	Credit inputs
Other loans and advances	Discounted cash flows	Future cash flows are discounted using market-related interest rates adjusted for credit inputs over the contractual period. Although the fair value of credit is not significant year-on-year it may become significant in future. For this reason, together with the fact that the majority of South African counterparties do not have actively traded or observable credit spreads, the group has classified other loans and advances to customers at level 3 of the fair value hierarchy.	Credit inputs

Fair value measurements continued

FAIR VALUE HIERARCHY AND MEASUREMENTS *continued*

INSTRUMENT	VALUATION TECHNIQUE	DESCRIPTION OF VALUATION TECHNIQUE AND MAIN ASSUMPTIONS	SIGNIFICANT UNOBSERVABLE INPUTS OF LEVEL 3 ITEMS
INVESTMENT SECURITIES			
Equities listed in an inactive market	Discounted cash flows	For listed equities, the listed price is used where the market is active (i.e. level 1). However, if the market is not active and the listed price is not representative of fair value, a valuation technique is used to determine the fair value. The valuation technique will be based on risk parameters of comparable securities and the potential pricing difference in spread and/or price terms with the traded comparable is considered. Future cash flows are discounted using market-related interest rates. Where the valuation technique incorporates unobservable inputs for equities, e.g. PE ratios, level 3 of the fair value hierarchy is deemed appropriate.	Unobservable P/E ratios
Unlisted bonds or bonds listed in an inactive market	Discounted cash flows	Unlisted bonds or bonds in an inactive market are valued similarly to advances measured at fair value. Future cash flows are discounted using market-related interest rates adjusted for credit inputs over the contractual period. Where the valuation technique incorporates unobservable inputs for credit risk, level 3 of the fair value hierarchy is deemed appropriate.	Credit inputs
Unlisted equities	P/E model 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 group places reliance on valuations from third parties such as broker quotes or valuations from asset managers. Where considered necessary, the group applies minority and marketability or liquidity discount adjustments to these third-party valuations. Third-party valuations are reviewed by the relevant franchise's investment committee on a regular basis. Where these underlying investments are unlisted, the group has classified these at level 3 of the fair value hierarchy, as there is no observable market data to which to compare the third-party valuations.	None (unlisted) – third-party valuations used, minority and marketability adjustments

FAIR VALUE HIERARCHY AND MEASUREMENTS *continued*

INSTRUMENT	VALUATION TECHNIQUE	DESCRIPTION OF VALUATION TECHNIQUE AND MAIN ASSUMPTIONS	SIGNIFICANT UNOBSERVABLE INPUTS OF LEVEL 3 ITEMS
INVESTMENT SECURITIES continued			
Investment properties	Adjusted market prices	The fair value of investment properties is determined by obtaining a valuation from an independent professional valuer not related to the group. This fair value is based on observable market prices adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. Variables are obtained through surveys and comparable recent market transactions not publicly quoted. These valuations are reviewed annually by a combination of independent and internal valuation experts. The fair value is based on unobservable income capitalisation rate inputs. These rates are impacted predominantly by expected market rental growth, contract tenure, occupancy rates and vacant periods that arise on expiry of existing contracts. The fair value of these properties will change favourably with increases in the expected market rental growth, contract tenure and occupancy rates and decreases in the average vacant period, and unfavourably if the inverse occurs.	Income capitalisation rates
DEPOSITS			
Deposits that represent collateral on credit-linked notes	Discounted cash flows	These deposits represent the collateral leg of credit-linked notes. The forward curve adjusted for liquidity premiums and business unit margins is used. The valuation methodology does not take early withdrawals and other behavioural aspects into account.	Credit inputs on related 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 group to share a portion of profits of underlying contracts with a third party, the value of the liability is linked to the performance of the underlying. Where the underlying is not observable, these liabilities are classified as level 3. Future cash flows are discounted using market-related interest rates, adjusted for the performance of the underlying contracts.	Performance of underlying contracts
Financial assets and liabilities not measured at fair value but for which fair value is disclosed	Discounted cash flows	Future cash flows are discounted using market-related interest rates and curves adjusted for credit inputs.	Credit inputs

Fair value measurements continued

FAIR VALUE HIERARCHY AND MEASUREMENTS *continued*

NON-RECURRING FAIR VALUE MEASUREMENTS

For non-recurring fair value measurements, the fair value hierarchy classification and valuation technique applied in determining fair value will depend on the underlying asset or liability being measured. Where the underlying assets or liabilities are those for which recurring fair value measurements are required as listed in the table above, the technique applied and the inputs into the models would be in line with those as set out in the table.

2018

There were no non-recurring fair value measurements during the period.

2017

An investment in a subsidiary was classified as a disposal group held for sale in the prior year. The assets and liabilities in the disposal group were measured at fair value less costs to sell and classified as level 2 and level 3 on the fair value hierarchy, depending on the nature of the specific underlying asset and liability. Further details have been provided in note 14 of the annual financial statements.

During the prior year impairments were recognised for assets that are measured at fair value on a non-recurring basis. Further details have been provided in note 3 of the June 2018 annual financial statements.

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 group which are recognised at fair value.

	As at 31 December 2018 IFRS 9			
R million	Level 1	Level 2	Level 3	Total fair value
Assets				
Recurring fair value measurements				
Derivative financial instruments	796	34 109	820	35 725
Advances	1 102	43 745	27 429	72 276
Investment securities	76 867	16 569	3 176	96 612
Non-recourse investments	–	14 208	–	14 208
Commodities	17 815	–	–	17 815
Investment properties	–	–	814	814
Total fair value assets	96 580	108 631	32 239	237 450
Liabilities				
Recurring fair value measurements				
Short trading positions	6 056	–	–	6 056
Derivative financial instruments	603	40 857	489	41 949
Deposits	1 393	54 590	362	56 345
Non-recourse deposits	–	14 208	–	14 208
Other liabilities	–	211	401	612
Policyholder liabilities under investment contracts	3 996	–	–	3 996
Total fair value liabilities	12 048	109 866	1 252	123 166

Fair value measurements continued

FAIR VALUE HIERARCHY AND MEASUREMENTS *continued*

	As at 31 December 2017 IAS 39			
R million	Level 1	Level 2	Level 3	Total fair value
Assets				
Recurring fair value measurements				
Derivative financial instruments	747	52 769	70	53 586
Advances	–	22 206	187 460	209 666
Investment securities	115 309	32 005	1 937	149 251
Non-recourse investments	–	10 302	–	10 302
Commodities	15 489	–	–	15 489
Investment properties	–	–	942	942
Total fair value assets	131 545	117 282	190 409	439 236
Liabilities				
Recurring fair value measurements				
Short trading positions	15 266	–	–	15 266
Derivative financial instruments	480	57 402	220	58 102
Deposits	1 905	81 259	681	83 845
Non-recourse deposits	–	10 302	–	10 302
Other liabilities	–	2 320	1 533	3 853
Policyholder liabilities under investment contracts	–	3 506	–	3 506
Total fair value liabilities	17 651	154 789	2 434	174 874

FAIR VALUE HIERARCHY AND MEASUREMENTS *continued*

R million	As at 30 June 2018 IAS 39			
	Level 1	Level 2	Level 3	Total fair value
Assets				
Recurring fair value measurements				
Derivative financial instruments	244	41 692	563	42 499
Advances	–	25 826	171 237	197 063
Investment securities	122 031	37 287	2 394	161 712
Non-recourse investments	–	11 160	–	11 160
Commodities	13 424	–	–	13 424
Investment properties	–	–	754	754
Total fair value assets – recurring	135 699	115 965	174 948	426 612
Liabilities				
Recurring fair value measurements				
Short trading positions	9 999	–	–	9 999
Derivative financial instruments	21	50 303	630	50 954
Deposits	1 354	93 226	514	95 094
Non-recourse deposits	–	11 160	–	11 160
Other liabilities	–	1 974	1 586	3 560
Policyholder liabilities under investment contracts	3 877	–	–	3 877
Total fair value liabilities – recurring	15 251	156 663	2 730	174 644

Fair value measurements continued

ADDITIONAL DISCLOSURES FOR LEVEL 3 FINANCIAL INSTRUMENTS

TRANSFERS BETWEEN FAIR VALUE HIERARCHY LEVELS

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

	As at 31 December 2018 IFRS 9		
R million	**Transfers in**	**Transfers out**	**Reasons for significant transfer in**
Level 1	**1 102**	**–**	It is the group's policy to classify debt investment securities qualifying as HQLA, that are under the control of the Group Treasurer, as marketable advances. The underlying debt securities held in this specific portfolio of marketable advances are listed and actively traded. It is therefore more appropriate to reflect these advances in level 1 of the fair value hierarchy.
Level 2	**37**	**–**	Investment securities, derivatives and other liabilities were transferred into level 2 as the inputs used in determining their fair value became observable during the period.
Level 3	**–**	**(1 139)**	There were no transfers into level 3.
Total transfers	**1 139**	**(1 139)**	

	As at 30 June 2018 IAS 39		
R million	Transfers in	Transfers out	Reasons for significant transfer in
Level 1	–	–	There were no transfers into level 1.
Level 2	34	(1 101)	Certain over-the-counter equity options have been transferred to level 2 in the current year, because the inputs used in the valuation of these positions have become observable as the maturity of these trades are less than 12 months.
Level 3	1 101	(34)	Market volatilities are only available for a limited range of strike prices. The further away over-the-counter equity options are from their trade date, the more likely it becomes that their strike prices are outside the prevailing range of strike prices for which volatilities are available. During the year end the observability of volatilities used in determining the fair value of certain over-the-counter options became unobservable and resulted in the transfer into level 3 of the fair value hierarchy.
Total transfers	1 135	(1 135)	

There were no transfers in or out of the various levels for the financial period ended 31 December 2017.

ADDITIONAL DISCLOSURES FOR LEVEL 3 FINANCIAL INSTRUMENTS *continued*

CHANGES IN LEVEL 3 INSTRUMENTS WITH RECURRING FAIR VALUE MEASUREMENTS

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

R million	Derivative financial assets	Advances	Investment securities	Investment properties	Derivative financial liabilities	Other liabilities	Deposits
Balance as at 30 June 2018	**563**	**171 237**	**2 394**	**754**	**630**	**1 586**	**514**
IFRS 9 adjustment	**–**	**(120 013)**	**781**	**–**	**–**	**–**	**–**
Gains/losses recognised in profit or loss	**(143)**	**1 428**	**(5)**	**–**	**(100)**	**(1 842)***	**4**
Gains/losses recognised in other comprehensive income	**–**	**4**	**–**	**–**	**–**	**–**	**–**
Purchases, sales, issue and settlements	**400**	**(24 216)**	**23**	**20**	**(33)**	**659**	**(158)**
Acquisitions/disposals of subsidiaries	**–**	**–**	**–**	**40**	**–**	**–**	**–**
Transfer into level 3	**–**	**(1 102)**	**(27)**	**–**	**(8)**	**(2)**	**–**
Exchange rate differences	**–**	**91**	**10**	**–**	**–**	**–**	**2**
Balance as at 31 December 2018 IFRS 9	**820**	**27 429**	**3 176**	**814**	**489**	**401**	**362**
Balance as at 30 June 2017	8	199 179	2 230	399	233	1 543	536
Gains/losses recognised in profit or loss	73	7 729	43	4	18	59	(7)
Gains/losses recognised in other comprehensive income	–	(1)	(5)	–	–	–	–
Purchases, sales, issue and settlements	(11)	(19 092)	(325)	539	(31)	(69)	156
Acquisitions/disposals of subsidiaries	–	–	–	–	–	–	–
Transfer into level 3	–	–	–	–	–	–	–
Exchange rate differences	–	(355)	(6)	–	–	–	(4)
Balance as at 31 December 2017 IAS 39	70	187 460	1 937	942	220	1 533	681
Balance as at 30 June 2017	8	199 179	2 230	399	233	1 543	536
Gains/losses recognised in profit or loss	(17)	15 889	186	33	(107)	160	23
Gains/losses recognised in other comprehensive income	–	(1)	(7)	–	–	–	–
Purchases, sales, issue and settlements	40	(44 096)	(63)	2	1	(151)	(51)
Acquisitions/disposals of subsidiaries	–	–	–	320	–	33	–
Transfer into level 3	532	–	31	–	504	–	–
Exchange rate differences	–	266	17	–	(1)	1	6
Balance as at 30 June 2018 IAS 39	563	171 237	2 394	754	630	1 586	514

* *The gain recognised on other liabilities relates to the revaluation of preference shares issued to Discovery. This gain forms part of the overall transaction of transferring the Discovery card book and the remaining profit share in the Discovery card business to Discovery.*

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.

Fair value measurements continued

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.

	Six months ended 31 December 2018 IFRS 9		Six months ended 31 December 2017 IAS 39		Year ended 30 June 2018 IAS 39	
R million	**Gains/(losses) recognised in the income statement**	**Gains/(losses) recognised in other comprehensive income**	Gains/(losses) recognised in the income statement	Gains/(losses) recognised in other comprehensive income	Gains/(losses) recognised in the income statement	Gains/(losses) recognised in other comprehensive income
Assets						
Derivative financial instruments	**35**	**–**	73	–	11	–
Advances*	**1 121**	**–**	5 839	(1)	12 026	(1)
Investment securities	**15**	**–**	23	(5)	84	(7)
Investment properties	**–**	**–**	4	–	29	–
Total	**1 171**	**–**	5 939	(6)	12 150	(8)
Liabilities						
Derivative financial instruments	**(248)**	**–**	18	–	(299)	–
Deposits	**10**	**–**	(7)	–	24	–
Other liabilities	**(25)**	**–**	59	–	43	–
Total	**(263)**	**–**	70	–	(232)	–

* *Amount is mainly accrued interest on fair value loans and advances and movements in interest rates and foreign currency that have been economically hedged. This is the portion of RMB's advances that is classified as fair value to effectively manage the interest rate and foreign exchange risk 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.

ADDITIONAL DISCLOSURES FOR LEVEL 3 FINANCIAL INSTRUMENTS *continued*

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

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

ASSET/LIABILITY	SIGNIFICANT UNOBSERVABLE INPUTS	UNOBSERVABLE INPUT TO WHICH REASONABLY POSSIBLE CHANGES ARE APPLIED	REASONABLY POSSIBLE CHANGES APPLIED
Derivative financial instruments	Volatilities	Volatilities	Increased and decreased by 10%.
Advances	Credit	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 changes 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%.

Fair value measurements continued

ADDITIONAL DISCLOSURES FOR LEVEL 3 FINANCIAL INSTRUMENTS *continued*

	Reasonably possible alternative fair value								
	As at 31 December 2018 IFRS 9			As at 31 December 2017 IAS 39			As at 30 June 2018 IAS 39		
R million	Fair value	Using more positive assump-tions	Using more negative assump-tions	Fair value	Using more positive assump-tions	Using more negative assump-tions	Fair value	Using more positive assump-tions	Using more negative assump-tions
Assets									
Derivative financial instruments	**820**	**820**	**816**	70	71	69	563	569	556
Advances	**27 429**	**27 594**	**27 268**	187 460	188 073	187 028	171 237	171 958	170 603
Investment securities	**3 176**	**3 296**	**2 513**	1 937	2 050	1 844	2 394	2 598	2 254
Total financial assets measured at fair value in level 3	**31 425**	**31 710**	**30 597**	189 467	190 194	188 941	174 194	175 125	173 413
Liabilities									
Derivative financial instruments	**489**	**484**	**494**	220	179	224	630	624	637
Deposits	**362**	**336**	**381**	681	671	692	514	460	551
Other liabilities	**401**	**393**	**411**	1 533	1 516	1 551	1 586	1 566	1 607
Total financial liabilities measured at fair value in level 3	**1 252**	**1 213**	**1 286**	2 434	2 366	2 467	2 730	2 650	2 795

FINANCIAL INSTRUMENTS NOT MEASURED AT FAIR VALUE

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

	As at 31 December 2018 IFRS 9		As at 31 December 2017 IAS 39		As at 30 June 2018 IAS 39	
R million	**Carrying value**	**Total fair value**	Carrying value	Total fair value	Carrying value	Total fair value
Assets						
Advances	**1 100 269**	**1 107 473**	718 066	723 431	924 165	928 641
Investment securities	**113 308**	**110 963**	29 287	29 567	36 065	35 985
Total assets at amortised cost	**1 213 577**	**1 218 436**	747 353	752 998	960 230	964 626
Liabilities						
Deposits	**1 268 068**	**1 267 613**	945 895	946 769	1 161 194	1 161 975
Other liabilities	**5 100**	**5 138**	2 651	2 651	3 429	3 429
Additional Tier 1 and Tier 2 liabilities	**28 053**	**28 307**	20 048	20 412	28 439	28 881
Total liabilities at amortised cost	**1 301 221**	**1 301 058**	968 594	969 832	1 193 062	1 194 285

DAY 1 PROFIT OR LOSS

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

	As at 31 December		As at 30 June
R million	**2018 IFRS 9**	2017 IAS 39	2018 IAS 39
Opening balance	**54**	51	51
Day 1 profits or losses not recognised on financial instruments initially recognised in the current year	**46**	2	13
Amount recognised in profit or loss as a result of changes which would be observable by market participants	**(8)**	–	(10)
Closing balance	**92**	53	54

Contingencies and commitments

	As at 31 December			As at 30 June
R million	**2018 IFRS 9**	2017 IAS 39	% change	2018 IAS 39
Contingencies and commitments				
Guarantees (endorsements and performance guarantees)	**38 000**	35 028	8	36 977
Letters of credit	**9 891**	8 329	19	10 681
Total contingencies	**47 891**	43 357	10	47 658
Irrevocable commitments	**128 629**	114 604	12	126 631
Committed capital expenditure	**1 981**	2 659	(25)	2 915
Operating lease commitments	**3 495**	3 742	(7)	3 588
Other	**141**	222	(36)	166
Contingencies and commitments	**182 137**	164 584	11	180 958
Legal proceedings				
There are a number of legal or potential claims against the group, the outcome of which cannot at present be foreseen. These claims are not regarded as material either on an individual or a total basis.				
Provision raised for liabilities that are expected to materialise.	**211**	183	15	181
Commitments				
Commitments in respect of capital expenditure and long-term investments approved by the directors.	**1 981**	2 659	(25)	2 915

Events after reporting period

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

05 supplementary information

198 – 207

Headline earnings additional disclosure

Set out below is additional information pertaining to *Section 1 of Circular 04/2018 – Sector-Specific Rules for Headline Earnings*.

ISSUE 1 – REMEASUREMENT RELATING TO PRIVATE EQUITY ACTIVITIES (ASSOCIATES AND JOINT VENTURES, EXCLUDING ANY PRIVATE EQUITY INVESTMENTS CARRIED AT FAIR VALUE IN TERMS OF IAS 39) REGARDED AS OPERATING OR TRADING ACTIVITIES

	Six months ended 31 December			Year ended 30 June
R million	**2018 IFRS 9**	2017 IAS 39	% change	2018 IAS 39
Aggregate cost of portfolio	**2 231**	2 106	6	2 064
Aggregate carrying value	**3 968**	3 837	3	3 841
Aggregate fair value*	**8 248**	7 214	14	7 832
Equity-accounted income**	**260**	269	(3)	480
Profit on realisation#	**172**	36	>100	1 335

* *Aggregate fair value is disclosed including non-controlling interests.*

** *Income from associates and joint ventures is disposed post-tax.*

Profit on realisation is disclosed post-tax and non-controlling interests.

ISSUE 2 – CAPITAL APPRECIATION ON INVESTMENT PRODUCTS

	Six months ended 31 December			As at 1 July
R million	**2018 IFRS 9**	2017 IAS 39	% change	**2018 IFRS 9**
Carrying value of investment properties	**814**	675	21	**754**
Fair value of investment properties	**814**	675	21	**754**

Number of ordinary shares in issue

	Six months ended 31 December				Year ended 30 June	
	2018		2017		2018	
	IFRS 9	**Normalised**	IAS 39	Normalised	IAS 39	Normalised
Shares in issue						
Opening balance as at 1 July	**5 609 488 001**	**5 609 488 001**	5 609 488 001	5 609 488 001	5 609 488 001	5 609 488 001
Less: treasury shares	**(325 902)**	**–**	(1 314 888)	–	(1 045 515)	–
– Shares for client trading*	**(325 902)**	**–**	(1 314 888)	–	(1 045 515)	–
Number of shares in issue (after treasury shares)	**5 609 162 099**	**5 609 488 001**	5 608 173 113	5 609 488 001	5 608 442 486	5 609 488 001
Weighted average number of shares						
Weighted average number of shares before treasury shares	**5 609 488 001**	**5 609 488 001**	5 609 488 001	5 609 488 001	5 609 488 001	5 609 488 001
Less: treasury shares	**(439 558)**	**–**	(1 656 596)	–	(1 363 218)	–
– Shares for client trading*	**(439 558)**	**–**	(1 656 596)	–	(1 363 218)	–
Basic and diluted weighted average number of shares in issue	**5 609 048 443**	**5 609 488 001**	5 607 831 405	5 609 488 001	5 608 124 783	5 609 488 001

* *For normalised reporting, shares held for client trading activities are treated as externally issued.*

Key market indicators and share statistics

	Six months ended 31 December			Year ended 30 June
	2018	2017	% change	2018
Market indicators				
USD/ZAR exchange rate				
– Closing	**14.38**	12.29	17	13.80
– Average	**14.15**	13.38	6	12.82
£/R exchange rate				
– Closing	**18.32**	16.60	10	18.18
– Average	**18.32**	17.63	4	17.27
SA prime overdraft (%)	**10.25**	10.25		10.00
SA average prime overdraft (%)	**10.05**	10.28		10.20
SA average CPI (%)	**4.95**	4.77		4.53
JSE All Share Index	**52 737**	59 505	(11)	57 611
JSE Banks Index	**9 162**	9 619	(5)	9 026
Share statistics				
Share price				
– High for the period (cents)	**7 195**	6 725	7	7 725
– Low for the period (cents)	**5 900**	4 669	26	4 669
– Closing (cents)	**6 556**	6 725	(3)	6 389
Shares traded				
– Number of shares (millions)	**1 413**	1 568	(10)	3 239
– Value of shares (R million)	**93 163**	85 692	9	196 560
– Turnover in shares traded (%)	**25.19**	27.96		57.76
Share price performance				
FirstRand average share price (cents)	**6 605**	5 408	22	5 999
JSE Bank Index (average)	**9 004**	7 946	13	8 794
JSE All Share Index (average)	**54 778**	56 893	(4)	57 427

Company information

DIRECTORS

WR Jardine (chairman), AP Pullinger (chief executive officer), HS Kellan (financial director), M Vilakazi (chief operating officer), MS Bomela, HL Bosman, JP Burger, JJ Durand (alternate), GG Gelink, NN Gwagwa, F Knoetze, RM Loubser, PJ Makosholo, TS Mashego, EG Matenge-Sebesho, AT Nzimande, LL von Zeuner, 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 1820
Fax: +27 11 282 8088
Website: www.firstrand.co.za

JSE SPONSOR

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

NAMIBIAN SPONSOR

Simonis Storm Securities (Pty) Ltd
4 Koch Street
Klein Windhoek
Namibia

TRANSFER SECRETARIES – SOUTH AFRICA

Computershare Investor Services (Pty) Ltd
1st Floor, Rosebank Towers
15 Biermann Avenue
Rosebank, Johannesburg, 2196
PO Box 61051, Marshalltown 2107
Tel: +27 11 370 5000
Fax: +27 11 688 5248

TRANSFER SECRETARIES – NAMIBIA

Transfer Secretaries (Pty) Ltd
4 Robert Mugabe Avenue, Windhoek
PO Box 2401, Windhoek, Namibia
Tel: +264 612 27647
Fax: +264 612 48531

AUDITORS

PricewaterhouseCoopers Inc.
4 Lisbon Lane
Waterfall City
Jukskei View
2090

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

Listed financial instruments of the group

LISTED EQUITY INSTRUMENTS

Johannesburg Stock Exchange (JSE)

Ordinary shares		
Issuer	**Share code**	**ISIN code**
FirstRand Limited	FSR	ZAE000066304

Non-cumulative non-redeemable B preference shares		
Issuer	**Share code**	**ISIN code**
FirstRand Limited	FSRP	ZAE000060141

Namibian Stock Exchange (NSX)

Ordinary shares		
Issuer	**Share code**	**ISIN code**
FirstRand Limited	FST	ZAE000066304
FirstRand Namibia Limited	FNB	NA0003475176

Botswana Stock Exchange (BSE)

Ordinary shares		
Issuer	**Share code**	**ISIN code**
First National Bank of Botswana Limited	FNBB	BW0000000066

LISTED DEBT INSTRUMENTS

Issuer: FirstRand Bank Limited

JSE

Domestic medium-term note programme

Bond code	ISIN code	Bond code	ISIN code	Bond code	ISIN code
Subordinated debt					
FRB12	ZAG000116278	FRB17	ZAG000127630	FRB22	ZAG000141219
FRB13	ZAG000116286	FRB18	ZAG000135229	FRB23	ZAG000146754
FRB14	ZAG000116294	FRB19	ZAG000135310	FRB24	ZAG000155102
FRB15	ZAG000124199	FRB20	ZAG000135385		
FRB16	ZAG000127622	FRB21	ZAG000140856		
Senior unsecured					
FRBZ01	ZAG000049255	FRJ25	ZAG000124256	FRX27	ZAG000142506
FRBZ02	ZAG000072711	FRJ27	ZAG000141912	FRX28	ZAG000152836
FRBZ03	ZAG000080029	FRX19	ZAG000073685	FRX30	ZAG000124264
FRJ19	ZAG000104563	FRX20	ZAG000109604	FRX31	ZAG000084195
FRJ20	ZAG000109596	FRX23	ZAG000104969	FRX32	ZAG000142514
FRJ21	ZAG000115858	FRX24	ZAG000073693	FRX45	ZAG000076480
FRJ22	ZAG000142498	FRX25	ZAG000152828		
FRJ23	ZAG000149436	FRX26	ZAG000112160		
Inflation-linked bonds					
FRBI22	ZAG000079666	FRBI29	ZAG000145608	FRI33	ZAG000141706
FRBI23	ZAG000076498	FRBI33	ZAG000079245	FRI38	ZAG000141862
FRBI25	ZAG000109588	FRBI46	ZAG000135302		
FRBI28	ZAG000079237	FRBI50	ZAG000141649		

Structured note and preference share programme

Credit-linked notes					
FRC66	ZAG000088485	FRC69	ZAG000088766	FRC71	ZAG000088923

Note programme

Bond code	ISIN code	Bond code	ISIN code	Bond code	ISIN code
Structured notes					
FRS36	ZAG000077397	FRS124	ZAG000122953	FRS163	ZAG000145129
FRS37	ZAG000077793	FRS126	ZAG000125188	FRS164	ZAG000145160
FRS43	ZAG000078643	FRS127	ZAG000125394	FRS165	ZAG000145178
FRS46	ZAG000079807	FRS129	ZAG000125865	FRS166	ZAG000145756
FRS49	ZAG000081787	FRS131	ZAG000126186	FRS167	ZAG000145764
FRS51	ZAG000086117	FRS132	ZAG000126194	FRS168	ZAG000145772
FRS62	ZAG000090614	FRS133	ZAG000126541	FRS169	ZAG000145780
FRS64	ZAG000092529	FRS134	ZAG000126574	FRS170	ZAG000145954
FRS81	ZAG000100892	FRS135	ZAG000126608	FRS171	ZAG000147448
FRS85	ZAG000104985	FRS136	ZAG000126780	FRS172	ZAG000147455
FRS87	ZAG000105420	FRS137	ZAG000127549	FRS173	ZAG000148180
FRS90	ZAG000106410	FRS138	ZAG000127556	FRS174	ZAG000148198
FRS100	ZAG000111634	FRS142	ZAG000130782	FRS175	ZAG000149451
FRS101	ZAG000111774	FRS143	ZAG000130790	FRS176	ZAG000149444
FRS103	ZAG000111840	FRS145	ZAG000134263	FRS177	ZAG000152885
FRS104	ZAG000111857	FRS146	ZAG000134636	FRS178	ZAG000153107
FRS108	ZAG000113515	FRS147	ZAG000135724	FRS179	ZAG000153321
FRS109	ZAG000113564	FRS149	ZAG000136573	FRS180	ZAG000154147
FRS110	ZAG000113663	FRS150	ZAG000136615	FRS181	ZAG000154188
FRS112	ZAG000115395	FRS151	ZAG000136987	FRS182	ZAG000154386
FRS113	ZAG000115478	FRS152	ZAG000136995	FRS183	ZAG000154568
FRS114	ZAG000116070	FRS153	ZAG000137670	FRS184	ZAG000155490
FRS119	ZAG000118951	FRS158	ZAG000145012	FRS185	ZAG000155540
FRS120	ZAG000119298	FRS159	ZAG000145020	RMBI01	ZAG000050865
FRS121	ZAG000120643	FRS160	ZAG000145038	RMBI02	ZAG000052986
FRS122	ZAG000121062	FRS161	ZAG000145046		
FRS123	ZAG000121328	FRS162	ZAG000145111		
Credit-linked notes					
FRC169	ZAG000104852	FRC210	ZAG000120296	FRC239	ZAG000135245
FRC178	ZAG000107897	FRC212	ZAG000121054	FRC240	ZAG000135252
FRC179	ZAG000108168	FRC213	ZAG000121047	FRC241	ZAG000135393
FRC181	ZAG000108549	FRC215	ZAG000121021	FRC242	ZAG000135401
FRC188	ZAG000111873	FRC219	ZAG000121138	FRC243	ZAG000135419
FRC189	ZAG000112145	FRC221	ZAG000121229	FRC244	ZAG000135427
FRC192	ZAG000114521	FRC225	ZAG000121435	FRC245	ZAG000135468
FRC195	ZAG000114745	FRC233	ZAG000128752	FRC246	ZAG000135476
FRC206	ZAG000116088	FRC234	ZAG000130816	FRC247	ZAG000135484
FRC207	ZAG000117649	FRC236	ZAG000135211	FRC248	ZAG000135450
FRC208	ZAG000117656	FRC237	ZAG000135203	FRC249	ZAG000135542
FRC209	ZAG000118613	FRC238	ZAG000135237	FRC250	ZAG000135559

Listed financial instruments of the group continued

Bond code	ISIN code	Bond code	ISIN code	Bond code	ISIN code
Credit-linked notes					
FRC251	ZAG000141813	FRC264	ZAG000149345	FRC276	ZAG000152430
FRC252	ZAG000142225	FRC265	ZAG000149485	FRC277	ZAG000153552
FRC254	ZAG000144825	FRC266	ZAG000149824	FRC278	ZAG000153560
FRC256	ZAG000145806	FRC267	ZAG000150004	FRC279	ZAG000153578
FRC257	ZAG000146564	FRC269	ZAG000150806	FRC280	ZAG000153776
FRC258	ZAG000146580	FRC270	ZAG000151234	FRC281	ZAG000153834
FRC259	ZAG000147414	FRC271	ZAG000151556	FRC282	ZAG000154063
FRC260	ZAG000147596	FRC272	ZAG000151564	FRC283	ZAG000154394
FRC261	ZAG000147653	FRC273	ZAG000151945	FRC284	ZAG000154642
FRC262	ZAG000147646	FRC274	ZAG000151952	FRC285	ZAG000155201
FRC263	ZAG000148230	FRC275	ZAG000152372		

Issuer: FirstRand Bank Limited

LONDON STOCK EXCHANGE (LSE)

European medium-term note programme

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

SWISS STOCK EXCHANGE (SIX)

ISIN code
Senior unsecured
CH0238315680

Issuer: First National Bank of Namibia Limited

JSE

ISIN code
ZAG000142803
ZAG000142902

NSX

Domestic medium-term note programme

ISIN code
Senior unsecured
NA000A188PX0
NA000A188PY8
NA000A188PV4
NA000A188PW2
NA000A19FKU3
NA000A19FKV1

Issuer: First National Bank of Botswana Limited

BSE

Domestic medium-term note programme

Bond code	ISIN code
Subordinated debt	
FNBB007	BW 000 000 1668
FNBB008	BW 000 000 1700

Bond code	ISIN code
Senior unsecured	
FNBB005	BW 000 000 1510
FNBB006	BW 000 000 1528
FNBB009	BW 000 000 1916

Issuer: Aldermore Group

LSE

ISIN code
Tier 2
XS1507529144

IRISH STOCK EXCHANGE

ISIN code
Contingent convertible securities
XS1150025549

Definitions

Additional Tier 1 (AT1) capital	Non-cumulative non-redeemable (NCNR) preference share capital and AT1 capital instruments, as well as 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.
Contingent convertible securities	Fixed-rate perpetual subordinated contingent convertible securities issued by Aldermore. These instruments qualify as AT1 capital.
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.
Technical cures	Performing accounts that are classified as stage 3/NPL because they have defaulted in the past and do not meet the stringent cure definition of performance for several consecutive months.
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

ALM	Asset and liability management
API	Annual premium income
ASF	Available stable funding
AT1	Additional Tier 1
AUA	Assets under administration
AUE	Assets under execution
AUM	Assets under management
BCBS	Basel Committee on Banking Supervision
BEE	Black economic empowerment
BIS	Bank for International Settlements
BSE	Botswana Stock Exchange
BTL	Buy-to-let
C&TB	Corporate and transactional banking
CAGR	Compound annual growth rate
Capex	Capital expenditure
CAR	Capital adequacy ratio
CB	RMB corporate banking
CCyB	Countercyclical buffer
CET1	Common Equity Tier 1 capital
CIB	Corporate and investment banking
CIS	Collective investment scheme
CLF	Committed liquidity facility
DIA	Date of initial application
DIS	Deposit insurance scheme
D-SIB	Domestic systemically important bank
DWT	Dividend withholding tax
ECL	Expected credit loss
ELI	Employee liability insurance
EMTN	European medium-term note programme
EPS	Earnings per share
FLI	Forward looking information
FML	Full maintenance leasing
FRB	FirstRand Bank Limited
FREMA	FirstRand EMA Holdings (Pty) Ltd
FRIHL	FirstRand Investment Holdings (Pty) Ltd
FSB	Financial Services Board
FSR	FirstRand Limited
FVOCI	Fair value through other comprehensive income
FVTPL	Fair value through profit or loss
FX	Foreign exchange
GBP	British pound
HQLA	High-quality liquid assets
IB	RMB investment banking
IB&A	Investment banking and advisory
IFRS-IC	IFRS Interpretation Committee

IM	Investment management
INV	Investing
ISP	Interest in suspense
JSE	Johannesburg Stock Exchange
JV	Joint venture
LCR	Liquidity coverage ratio
LGD	Loss given default
LISP	Linked investment service provider
LSE	London Stock Exchange
LTV	Loan to value
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 cost of capital
NII	Net interest income
NIR	Non-interest revenue
NPLs	Non-performing loans
NSFR	Net stable funding ratio
NSX	Namibian Stock Exchange
PA	Prudential Authority
PD	Probability of default
P/E	Price/earnings
PN	Promissory note
RA	Resolution Authority
RMBS	Residential mortgage-backed securities
ROA	Return on assets
ROE	Return on equity
RSF	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
SICR	Significant increase in credit risk
SIX	Swiss Stock Exchange
SPPI	Solely payments of principal and interest
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

STUDIO ⑤

www.firstrand.co.za

FirstRand